The NATIONAL UNDERWRITER

ly 30, 1960 —The National Weekly Newspaper of Life and A&S Insurance— 30¢ a copy
th Year, No. 31

Second class postage paid at Chicago.
Published weekly (with two extra issues in September) at 175 W. Jackson Blvd., Chicago 4, Illinois.

$7.50 a yea

nother Insurer Discusses Its olicyholder Relations Program

ue to the increasing interest of ny insurers of all types in policy-lder relations programs, The Nation- Underwriter has been conducting a vey of leading insurers to find out at is being done and thought in s field. The installment below is third of the series.

METROPOLITAN LIFE

Perhaps one of our earliest formal forts was a periodical, the Metropoli-n. This was first published in 1871 d continued for a number of years. nother early publication was the etropolitan calendar card, which was tremely popular. Even today, sec-d generation policyholders send us pies, dated at the turn of the cen-tury, which their families have kept throughout the years.

Probably the best known example of Metropolitan's policyholder relations is its health and welfare program. To the majority of our policyholders, of course, the company's program is represented by our booklets on the subjects of safety and health. Since 1909, when the welfare division was created, more than 1¾ billion copies have been distributed.

Ads On Health Reach Millions

Equally important is our related national advertising campaign. Last year, for example, our health advertisements were seen in magazines with a total circulation of more than 481 million. Our Good Hints for Good Health, leaflet reproduction of those ads for individual distribution, exceeded 2½ million copies during the same period.

Just as the Metropolitan was the first life company to use national magagine advertising, in 1922, so it was the first to enter the field of radio in 1925, with its famous morning program of setting-up exercises. The objective in each field was the same: To present helpful information so that people might live longer, healthier and happier lives. That is still our objective today.

Nurses Made 100 Million Visits

Metropolitan's demonstration of the value of public health nursing was a particularly important example of policyholder relations. For almost 44 years, the company's visiting nurse service has helped more than 20 million policyholders during more than 100 million visits. General bedside care, maternity service, and health education for the home were provided. The visiting nurses also worked with the local communities, helping them to establish their own nursing services. When these became generally available at the end of 1952, the program was concluded to be a success.

Health Services Listed

Today's health and welfare division offers five major services, including:

—The field and community health bureau, which develops techniques to promote the effective use of health materials and professional health edu-

(CONTINUED ON PAGE 6)

m. Service Bureau s Now 40 Years Old

American Service Bureau, inspec-n affiliate of American Life Convention, reached its 40th anniversary this month. Lee N. Parker, who has been with ASB since 1921, has served as president since 1933. He is also administrative vice-president and treasurer of the Convention.

Lee N. Parker

The bureau had its origin at the 1918 meeting of LC, when a committee was formed to udy the feasibility of an inspection m. The committee reported favor-ly, and in 1920 American Service ureau was incorporated as an Illinois rporation with offices in Chicago.

After four years, the bureau moved New Orleans, and in 1926 it relo-ted in St. Louis, when the ALC adquarters moved from Omaha to at city. Its final move, back to Chi-go, took place in 1934, when the onvention moved to Chicago.

Originally, the head of the ALC staff as president of the bureau, until Mr. rker became president in 1933. He ined ASB in St. Louis the year be-re it moved to Chicago. At that time, . B. Cederstrom, now retired, and iss Ruth Browne were the nucleus the home office. Miss Browne is ill with the bureau in the Chicago adquarters and serves as assistant easurer.

According to Otto V. Elder, vice-esident, who has been with the bu-au 36 years, during the period 1950-59, volume of business increased 0% and during the first six months 1960 volume was up almost 10% er the preceding year.

In addition to Messrs. Parker and lder and Miss Browne, other ASB y staff members are A. G. Foy, 2nd ce-president, and Kenneth A. Chris-nsen, secretary.

NAIC Committees Are Appointed

Committee appointments for the 13 standing committees of National Assn. of Insurance Commissioners have been made by President Sam N. Beery of Colorado. A number of changes in chairmanship have been made, the most notable probably being the return to the ranks of committee chairman of Zack D. Cravey of Georgia to head the A&H committee. Mr. Cravey has not been a committee chairman since the fire prevention committee expired a few years ago.

Chairmen Given

Committees and their chairmen and vice-chairmen, respectively are:

A&H—Zack D. Cravey of Georgia and John J. Holmes of Montana.

Blanks—Charles R. Howell of New Jersey and Ralph F. Apodaca of New Mexico.

Definition and interpretation of underwriting powers—Walter D. Davis of Mississippi and Leo O'Connell of Idaho.

Fire, marine, casualty and surety—George F. Mahoney of Maine and C. J. Pearson of West Virginia.

Fraternal insurance—Harvey G. Combs of Arkansas and William E. Grubbs of Nebraska.

Insurance covering all installment sales and loans—J. Edwin Larson of Florida and C. F. Gold of North Carolina.

Laws and legislation—Joseph S. Gerber of Illinois and Thomas Thacher of New York.

Life insurance—C. Lawrence Leggett of Missouri and A. N. Premo, Connecticut.

Non-profit hospital and medical service associations—Francis R. Smith

(CONTINUED ON PAGE 24)

NALC Okla. City Convention Report Starts On Page 8

Total Sales Up 7% In June, Ordinary Down

For Six Months, Over-all Gain Is 3%, Ordinary Is Off $6 Million

Although sales of all types of life insurance in June increased 7% to $6,716,000,000, ordinary sales during the month fell off to $4,551,000,000, a decline of 1%, according to LIAMA. Total sales for the half-year period reached $35,171,000,000, for a 3% gain, while ordinary sales for the six months totaled $25,579,000,000, which represents only a negligible percentage change and a dollar decline of some $6 million.

Group sales in June were $1,558,000,000, an increase of 48%, and for the six months were $6,098,000,000, a gain of 21%. These figures represent only new groups set up and do not include additions to group contracts already in force.

June industrial sales rose 1% to $607 million, and during the six months totaled $3,494,000,000, down 1%.

—

SEC OKs Underwriters National

The filing of Underwriters National Assurance of Indianapolis with the SEC became effective July 22. This covers the public offering of 240,000 shares of $2.50 par stock at $7.50, to be handled by David L. Johnson & Associates of Indianapolis.

President of Underwriters National is Robert W. Osler, former editor of the Insurance Salesman, and the executive vice-president is W. Harold Petersen.

The new officers of New England Life's Leaders Assn., elected at the annual meeting at Jasper National Park, Alberta, Can., get together for their first group photograph. From left are Henry E. Colton, Charlotte, N. C., executive committee; Buckley Hubbard Jr., Buffalo, secretary; Benjamin L. Stern, New York, vice-president; Charles I. Lytle, Buffalo, president; Sidney O. Thompson, New York, treasurer, and William M. Shelton Jr., outgoing president and member of the executive committee. Not pictured is Harold D. Brewster, Providence, new member of the executive committee.

More than 600 members of the association attended the meeting, at which President O. Kelley Anderson voiced cautious optimism about the state of the nation's economy and future life insurance sales. John Barker Jr., agency vice-president, discussed how an increased proportion of the consumer's savings dollars can be captured by life insurance. He urged field men to become informed on public affairs and to sell savings as well as protection.

McLain, Cameron Head Program At Guardian Life Centennial Meeting

NEW YORK—Following a warning to the effect that the bright economic forecasts for the 1960s are not automatic guarantees of a successful future for the life insurance business, James A McLain, chairman of Guardian Life, at the company's centennial anniversary meeting here, posed the following questions:

"Have we wrongfully defined our business? Are we in life insurance—or are we in the savings and protection business? Are we as a business satisfying customers—or are we merely producing policies and services? Are we delivering the services we promise when selling? Are we selling policies and providing services which we believe our customers need?"

Share Of Savings Dollar Declining

Mr. McLain, who with President John L. Cameron, shared the spotlight at the 100th anniversary celebration at the Waldorf-Astoria Hotel, said in his closing address, "Within Guardian history, life insurance has won general public acceptance, with new sales and insurance in force steadily forging ahead. The life insurance record in this country outdistances results anywhere else in the world. But, total insurance in force is approximately only two years of personal income. Our share of the savings dollar is declining. Inroads on our markets are threatened from several directions. Should not these factors be faced as we map our Guardian future? What can and should we do?" Mr. McLain asked.

"Your company management is considering, and will continue to consider, these and related problems in our over-all marketing study. We suggest that our recent moves indicate a new definition of our objectives. We are offering more lines of protection than ever before in our history. We may offer more in the future.

Business Begins With Customer

"We are bending our efforts to discover, to create, to arouse and to satisfy customer needs—and we must do more in this connection. We feel that our business begins with the customer and his needs—not with a set of policies and a sales plan. We consciously concern ourselves with the delivery of customer satisfaction—then create the ways and means by which those satisfactions are achieved."

Mr. McLain announced the inauguration of a policyholder census, saying, "As a continuing process until completed, we want every present Guardian customer seen by a Guardian representative—a complete factual study of our policyholders. Are we serving them? Do they have other needs for protection? Are beneficiary designations and optional settlements current? Let's find out how we stand with our customers, what we can do for them, how we can improve our service.

Customer-Orient The Company

"This census will be much more than a policyholder month campaign. It is the first step in a plan to really customer-orient the Guardian on a national basis—and the groundwork for other plans and developments on the road ahead. We know the road we want to travel as we set out on another century. With your help we will make the trip exciting and rewarding."

The centennial anniversary meeting opened Tuesday with Arthur J. Raumann, New York, president of the company's Leaders Club, as chairman. President Cameron reviewed the company in terms of a management survey.

After discussing such factors as the balance sheet, organization, management and the outlook for the industry and the company, Mr. Cameron said, "We cannot blind ourselves to situations that confront us. It is an anomaly that over the century of Guardian's existence, life insurance men and women have been able to elevate insurance in the public mind to the point where men in public office gain votes by requiring people to pay taxes for that which we still find it so hard to get them to buy.

How Far Can Government Go?

"Recent developments in the health insurance field make us wonder how far government will go. How long will people feel the government can give them that which you have to sell them? I don't know. We have to accept the fact that the social significance of our business has acquired a new aspect. Prevention of destitution may have become a governmental function.

"But life insurance has acquired perhaps an even more significant role, the preservation of the dignity of the individual, the means by which the individual's desires for his own family, their ability to carry on beyond the requirements of food, shelter and clothing can be met. As long as people are free to be individuals, there will be this urge for more out of life than bare existence. And for the great majority of people, life insurance will continue to be the way to assure it.

Group Vs Individual Selling

"Another problem we cannot overlook is the relationship of group selling to individual selling. That is something your own company, now actively in the group field, cannot ignore. We were convinced two years ago, and now are more than ever convinced, that neither in the best interests of the company nor in the best interests of the Guardian field force, could we continue to let the growing group market go exclusively to our competitors. It is a highly competitive area. We are determined to see that you are not excluded from it.

"The group insurance market will grow. I hope its scope can be better defined. Surely it can hardly expect to retain the preferential treatment now enjoyed if it loses sight of the basic reasons in which such treatment is grounded. However, no one company can legislate for itself without turning over to competitors areas which its own field force has a right to expect to be available to it.

More Sales Lost To Groups

"It is inevitable that there will be more and more cases where individual sales are lost because of group insurance in force. At the same time, overall, there will be more, not less, individual insurance sold because, while underlying group insurance gives the basic protection, individuals still want to see that their families are better taken care of than the group average.

"Meanwhile more and more insurance men will familiarize themselves with the ever growing group insurance market and their work in that field will become productive and remunerative. Just as companies must respond to changing concepts of their scope, so the individual field man will have to become more and more alert to expanding phases of insurance selling.

"I am confident the answer to the problem in our business is to be sure the caliber of our men and women is high enough to make people value their individual counsel."

LIA's O'Leary A Speaker

The final speaker on Tuesday afternoon was James O'Leary, director of economic research of Life Insurance Assn., whose speech, "The Role of Life Insurance in an Expanding Economy," appears elsewhere in this issue.

On Wednesday morning, a cornerstone ceremony was held at the addition to the company's home office, followed by a tour of the office by members of Guardian's field force.

In the afternoon, members of Guardian's Million Dollar Club, with Edwin J. Phelps, superintendent of agencies, as chairman, held a panel discussion. James P. Poole, Atlanta, served as moderator for the program and other Millionaires participating included Douglas J. Bailey, Boston, who discussed "The Buyers's Thinking," Gary G. Newman, Cleveland, who talked on "Prospecting to Build a Clientele," Ivan R. Brown, Houston, who spoke on estate planning for large cases, and Howard C. Busbey, Atlanta, wh[o] theme was "I Sell Lives."

James A McLain, chairman of Gu[ar]dian Life, right, presents gift wrap[ped] silver bowl to Sidney M. Baer, m[an]ager of one of the company' th[ree] agencies in Philadelphia. Award [was] made to Mr. Baer for his having se[t] company record in individual life p[ro]duction. The ceremony took place d[ur]ing Guardian's centennial annivers[ary] meeting in New York.

Highlight of the centennial celeb[ra]tion was the banquet Wednesday e[ve]ning in the grand ballroom of the W[al]dorf-Astoria Hotel. Daniel J. Ly[ons] senior vice-president and a direc[tor] was toastmaster.

Superintendent Thacher of the N[ew] York department expressed congra[tu]lations to Guardian Life on behalf the insurance industry and James Farley, chairman of Coca-Cola Exp[ort] Corp., on behalf of the policyholde[rs].

Speaker at the banquet was G. Ru[s]sell Clark, New York superintende[nt] of banking and a former Guardi[an] director, who discussed "Insurance a[nd] Banking: Our Common Problems a[nd] Objectives."

Following Mr. Clark, Stanley Brooks, manager at San Francisco a[nd] chairman of the field advisory boa[rd] and Charles W. O'Donnell, manag[er] at Washington and immediate p[ast] chairman of the advisory unit, pr[e]sented the company a portrait Chairman McLain on behalf of the fi[eld] force, which honored Mr. McLain f[or] his dynamic leadership.

Dramatic Production

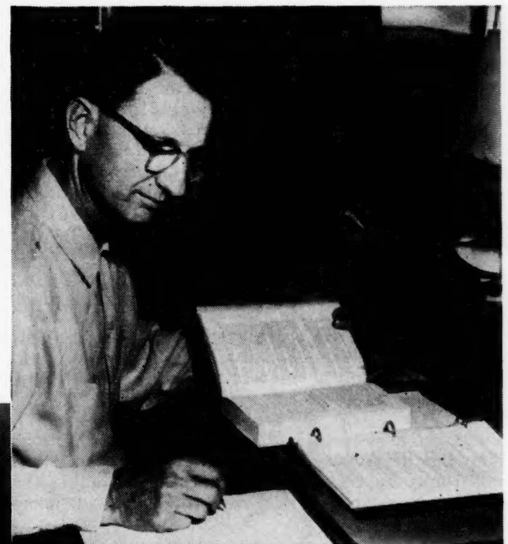
Activities on Thursday began w[ith] a business session. Earl W. Cryer, s[u]perintendent of agencies, was chai[r]man. "Mr. App Takes a Trip," a pl[ay] produced and directed by Daniel Mulcahy, agency assistant, with a ca[st] of home office players, was performe[d]. Following the performance, John Sutton, Syracuse, discussed "Prote[c]tion Plus," Maury Kusinitz, Fall Ri[v]er, talked on "Complete Income Pr[o]tection," and Clyde L. Juchau, mana[]ger of the regional group office at Sa[n] Francisco, discussed "Selling Guardia[n] Group Coverages."

A highlight of the morning sessi[on] was an address—"Who Will Succeed i[n] the Sixties"—by Kenneth McFarlan[d] educational consultant for General Mo[]tors Corporation.

Following a breakfast for CLUs, th[e] final business session was held Frida[y] morning with John C. Slattery, 2n[d] vice-president, as chairman. Simultan[]eous room-hopping sessions were he[ld] on the four subjects—"The Guardia[n] Graph-Estate," "Prospecting and Ti[me] Control," "Pension and Profit Sharing" and "Group Insurance."

Guardian President John L. Cameron presents the president's cup to Robert L. Spaulder, New York. Mr. Spaulder, along with H. Arthur Warshall (whose face is hidden from view by Mr. Spaulder's shadow), is manager of the Spaulder, Warshall & Schnur agency, which won the cup for the third time this year, thus gaining permanent possession of the award.

The Equitable Life of George E. Haney in Columbus, Ohio



A Former Schoolteacher, George knows the value of study. He has recently passed all his CLU exams.

"A Good Salesman ought to be interested in everything, including bridge," says George Haney. He's the one being helped by daughter Eleanor, 7. Son Fred, 17, is at the left. Wife Margaret and Doug, 13, are at the right.

Into the Pattern of His Life the actual selling fits as easy as pie. He makes a lot of friends, like John Ketchum here, and sets them up with insurance programs.

All the Haneys participate in community activities, sports, and hobbies. Among other things, George is "range boss" for the Y's annual membership drive.

Just Fishing keeps him relaxed. So does boat-building in the basement . . . and handball at the Y.

A Man's Prestige somehow goes hand in hand with the prestige of the company he represents. This is why he is proud to be a life underwriter. It is a full life. And a rewarding one!

Living Insurance is more than a need...it's a career!

THE Equitable LIFE ASSURANCE SOCIETY OF THE UNITED STATES

Home Office: 393 Seventh Avenue, New York 1, N. Y. ©1960

O'LEARY OF LIA WARNS:

Slowing Of Growth Rate Of Insurance Investments Bad For National Economy

NEW YORK—The growth rate of life insurance investments, which has been slowing down in recent years while many other forms of saving have been speeding up, should be accelerated if life insurance is to have the role that it should have in the best interest of the economy and the policyholders, James J. O'Leary, director of economic research of Life Insurance Assn. of America, warned at the centennial convention here of Guardian Life of New York.

James J. O'Leary

The slowing rate of asset growth is a cause for concern to the life insurance business not only for competitive reasons but also because it means a channeling of savings more and more into institutions that have highly specialized investment programs, he said. The enormous expansion of the savings and loan business, for example, means a larger flow of funds by necessity to residential housing. The comparatively slower rate of saving through life insurance has significant implications for economic growth because of the highly diversified and heavy investment of life companies in business and industrial securities and mortgages.

Faster Economic Growth Vital

In view of the communist threat to the security of the free world, a faster rate of economic growth in this country in this decade is of vital importance, Mr. O'Leary declared.

The only way to obtain a faster growth on a sound basis consistent with the preservation of our system of political and economic democracy is to achieve a higher rate of national saving and investment spending," he said. "Any attempt to achieve growth via the path of easy money and federal deficit spending will succeed only in producing inflation, and will in the end destroy an essential ingredient of growth—the will of people to save.

Life Business Has The Means

"The life insurance business now has a great opportunity to aid in providing the means to sound economic growth. It can do so by rededicating itself to encouraging the American people to save through life insurance.

"There is no reason today for the life insurance business to be backward about selling permanent cash value contracts. Since 1947 the *average* rate of return on life insurance company investments has risen from 2.88% to nearly 4%, and many companies are, of course, well above this average. The new money invested by some companies is earning 5½% or better.

Call Protection Helps

"Moreover, due to call protection on bonds which most life companies have been able to obtain in the past several years, the companies will continue to earn this higher rate for a considera period even though the general l of interest rates should decline. At present level of common stock pri moreover, the average return to vestors is about 3¼%.

"On this basis it takes a large pectation of capital gains to offset much higher rate on life insurance vestments—and remember the adv tages of compound interest. So, perm nent cash value insurance is an attr tive investment, aside from the t mendous advantages it provides in way of protection against unfores contingencies.

"The life insurance business ha great opportunity and a responsibi to rededicate itself to stimulating tional saving, and it is gratifying see that many companies are inte fying their efforts through impro sales materials developing the inve ment advantages of life insurance.

Two-Way Effort Made

Mr. O'Leary noted that the life surance business has recognized responsibility to help check inflati ary policies—public and private. T has been done partly through a p lic education campaign and pa through a more direct effort to courage anti-inflationary federal po measures.

"I believe that in this decade, w the great danger that our governm will be constantly tempted to pu faster economic growth through in tionary programs, it will be vital t the life insurance business equip it thoroughly to have a much more po erful direct influence with public p cy-makers toward the end of avoidi inflation," he declared.

Bright, Inflationary Ideas Hatched

"Almost every day Washington a bright new idea with serious inf tionary consequences if held carefu to the light. Should not the life ins ance business be fully equipped bring its influence directly to bear these ideas in a way that shows are determined to fight inflation every way it shows its ugly head? of the special interest groups have th powerful lobbies in Washington to p mote all manner of inflation schemes. Why should the saver have powerful and vigilant represen tion to protect him, and the gene public at large, from these schem

"In brief, then, the role of life surance in our expanding economy two-fold: to redouble our efforts encourage saving through life ins ance in order to contribute to sou economic growth and to bring our fluence more directly and powerfu to bear in the interest of avoiding flationary public policies."

"Themistocles said that he certainly could not make use of any stringed instrument; could only, were a small and obscure city put into his hands, make it great and glorious"

Every man has his strengths and weaknesses. He can be "great and glorious" in one endeavor, and a prize disappointment in another. But unlike Themistocles, he may not distinguish between his strong side and his weak side until it's too late. So what happens? He frequently winds up a career misfit, plucking away at a job for which he has no particular ability or enthusiasm.

To minimize the misfit risk, a man should *know* his chances before he starts. And The Union Central has made a definite move in this direction with its Prep Course — a unique training program which helps the prospective agent determine, before he signs his contract, whether he *can or cannot* expect success in a life insurance sales career. Results to date indicate that the Prep Course is an effective means of spotting strengths — and weaknesses — early.

The UNION CENTRAL LIFE Insurance Company • Cincinnati

Security for the American Family since 1867

Insurer Discusses Policyholder Program

(CONTINUED FROM PAGE 1)

cation services by the company's field force, health departments, medical societies, social and health agencies, and child health, safety, nutrition, emotional health, and geriatrics.

—The school health bureau, which develops and maintains professional relationships with educational associations, agencies, and institutions on the subjects of school health and safety.

—The safety and occupational health bureau, which offers services and reports to group insured firms on occupational health and safety programs and problems.

—The editorial bureau, which prepares and revises health and safety literature for publication; it is also responsible for the preparation of motion pictures, film scripts, and slides about related subjects, and offers advisory services to health organizations interested in similar projects.

—The nursing consultant in occupational and public health, who maintains relations with nurses, nursing schools and organizations as regards health and welfare services, and provides consultant service on industrial nursing for group insured businesses.

Group Customers Served

Another popular feature has been the policyholders' service bureau which has assisted group policyholders with business, large or small. For 36 years it offered information, suggestions and other assistance in response to thousands of varied requests. Although the bureau no longer exists, because of decrease in demand for its service, the group division still maintains a unit which affords a more limited type of service.

Bulletin Well Received

The statistical bulletin has been well received for 40 years. About 000 copies are distributed monthly, not only within the business, but also to the daily press, magazines, schools, scientific groups, and individuals. To the extent that these bulletins

(CONTINUED ON PAGE 25)

Nw Mutual Agents Set All-Time Sales Record

Northwestern Mutual Life's sales for he agents' year ended May 31 were a ecord-breaking $873,413,000, exceed- ng the previous year by more than $70 illion. Production leaders whose out- tanding records contributed to this ales record will be cited by Robert E. emplin, director of agencies, at the 0th annual meeting of company's ssn. of Agents in Milwaukee this eek.

Annual awards made under the Assn. f Agents system of honors will go to 1 agents who had sales of over $1 illion, 108 over $750,000, and 295 er $500,000. In the three top pro- uction clubs, the number of members at an all-time high, with 524 quali- ers against 458 in 1959.

In the New Agents' group, the num- er of silver and gold button winners lso set a record with a total of 234 gainst 188 in the previous year. The ronze button winners—who this ear faced revised and more rigid qua- fications—totaled 113.

reeley Lives Leader

Sidney F. Greeley Jr., Framingham, ass., who insured a total of 151 lives, xclusive of employe trust business, r $1,778,893, is the leader in lives for he second consecutive year and re- ains presidency of the Marathon Club hich is composed of agents writing 00 or more lives during the agents' ear.

Special honors are awarded annually the leaders in the top production lubs who show the best percentage of eir largest volume in the preceding ree years, and the largest number of ves written. This year's winners are: Million Dollar Club: J. B. Wyatt, rawfordsville, Ind., with a ratio of 2.47%, and G. Fred Smith, Milwau- ee, with 138 lives. Three Quarter Mil- on Club: F. E. Siefer, Fort Dodge, Ia., 8.37%, and W. F. Roudebush, Water- o, Ia., 72 lives. Half Million Club: . P. Schlecht, Carthage, Mo., 233.88%, nd H. W. Piepenburg, Reedsburg, is., 111 lives.

—

ug. 8 Last Day For Briefs n Blue Shield Rate Hike

Commissioner Smith of Pennsylva- ia has set Aug. 8 for the final sub- ission of briefs by interested parties the $12-million rate boost proposed y Medical Assn. of Pennsylvania Blue Shield), following three days of earings.

Opposition to the rate boost has been pearheaded by United Steelworkers f America and the cities of Philadel- hia, Pittsburgh and Scranton.

In addition to higher rates ranging om 6.4% to 32.4% for about 75% of he present 4 million subscribers, Blue hield has asked department approval f physician fee increases, a new 65- lus plan for the aged and for permis- ion to reduce 12-month membership equirements for pregnancy benefits to ine months.

The municipal governments at the earings said they were not opposed to Blue Shield coverage for the aged, but challenged the rate structure because it makes no special provisions for re- tired persons.

—

American United Slates Conclaves

American United Life is conducting regional manager conferences at the home office in Indianapolis, July 18-19; Pittsburgh, July 21-22; Chicago, July 25-26, and Dallas, July 28-29. Agency and unit managers are study- ing further methods of recruiting and training new agents and of establish- ing career objectives.

Exchange Provision In New Mutual Trust Plan

Mutual Trust Life is issuing a new, flexible contract which will permit al- teration at the policyholder's direction to meet his changing needs.

The salient point of the policy, called the Director, is an exchange provision attached to a basic endowment income plan. This will enable the policyholder to switch to ordinary life any time up to age 40 without a medical examina- tion and to pay the ordinary premium at issue age of the original plan. The policyholder may also obtain a cash refund for the difference between the cash value of the endowment income and the ordinary policies at the time of exchange and may convert back to a higher investment plan at a future date.

—

OK Capital Increase

Stockholders of First National Life of Phoenix have voted to increase authorized capital to $10 million. Pres- ent outstanding capital is $920,000 and stock is held by 12,000 stockholders residing in 45 states.

NALC Sets Record At Okla. City

Hits Eight Features Of Life Company Tax

William Hunter McLean, president American Standard Life of Fort Worth, addressed the convention Friday morning in a hard-hitting speech entitled "Some Unsatisfactory Features of the Life Insurance Company Income Tax Law." His talk, which concentrated his attack on eight features of the law, ran as follows:

I. Untaxed profits in dividends to policyholders. Because dividends to policyholders are deductible in phase II of the law and because interest paid to policyholders on reserve accumulations, including dividends to policyholders, are deductible in phase I, such profits as are earned by participating companies and returned to policyholders in dividends are untaxed.

Profits accrue from three principal sources which are mortality, expense loading and income from investments. Gains from mortality and expenses are difficult, if not impossible, to analyze. The study used here assumes that no profits whatsoever develop from those sources, although admittedly such is far from the truth. The remaining source of profit, investment income, lends itself to analysis.

Such an analysis of 34 mutual companies for the year 1957 discloses that 26% of dividends to policyholders constituted profits from investment income alone. The total dividends of the 34 companies was $1.3 billion and the investment income profits included in that amount totals $338 million.

By allowing participating companies a deduction of policyholder dividends, the law creates a discrimination and competitive advantage in favor of the large and relatively few mutual companies and against the many stock companies.

This is conceded in the statement of Carrol M. Shanks, president of Prudential—a mutual company. He said "If we resort to a total income type of tax, we can do a fair job of equalizing the position of life insurance stockholders generally, but we create a possible competitive advantage in favor of the mutual company over the stock company just because of the built-in flexibility afforded by the redundant premium and the policy dividend."

II. Excessive cost of administration. Phases II and III add tremendously to the complications and costs of tax accounting as well as in cost to the government in administration expense and controversies with companies. Phase I, based on investment income, is simple to administer.

90% Comes From Phase I

The approximate $500 million of revenue from the law in 1958 was raised largely from phase I. More than 90% of the tax revenue came from the tax on investment income in phase I with less than 10% or $50 million from phase II.

A substantial portion of that sum has already been spent by the 1,400 life companies in diversion of officials from customary duties to tax problems and in the employment of accounting and legal specialists heretofore not required. In addition, the government is confronted with the necessity of employing a very large number of specialists in the life insurance field and a diversion of other employes to audit work not heretofore required.

Only By Litigation

In the tax seminars held in large number across the country attended by numberless lawyers, accountants and actuaries, literally hundreds of questions have been raised, many of which remain unanswered. Litigation alone will suffice to provide answers to most of those questions. And, litigation is expensive.

III. Life companies burdened with taxes. It is difficult to adjust industry-wide figures to provide an accurate study of life company taxes as compared to taxable life company income. Numerous adjustments are necessary taking into account tax-exempt interest income, the inter-corporate dividend exemption, premium taxes, income taxes, etc.

Tax Bill Is Excessive

However, such refinements are not necessary for an appreciation that a total tax bill, excluding taxes on real estate, of $813 million as compared to net operating gains of $1.2 billion is excessive. Yet such is the burden borne by life companies in 1958.

IV. Capital gains and losses. The treatment of long term capital gains and losses in the present law is completely unrealistic. Net long term capital gains are taxed at a flat 25% rate, even though a company may suffer an operating loss. Capital losses may not be charged against investment income.

Interest and dividend income increase in proportion to risk. Increased risk results in increased capital losses. Yet, capital losses may not be offset

(CONTINUED ON PAGE 14)

NALC States Its History And Purpose

National Assn. of Life Companies has officially stated its history and aims as follows:

NALC was organized in 1955 to provide the younger, smaller, progressive life insurance companies with a forum, where their voices could be heard in the industry, before Congress, before the state regulatory bodies.

NALC began with a membership of 43. Today its membership is 142, covering the nation from Sacramento to New York, from Anchorage to Miami.

NALC believes in free competition, in the principle that the life insurance industry has both the right and the obligation to provide for policyholders the kind of protection that they desire and need in the ideal of constant progress, to meet the challenges of today and the adventures of tomorrow.

The problems facing the life industry at this time make it more important than ever that the younger, smaller, progressive companies have an opportunity to discuss their problems, formulate their policies, and act unitedly to protect their interests.

Any legal reserve life insurance company in any of the 50 states may become a member of the association.

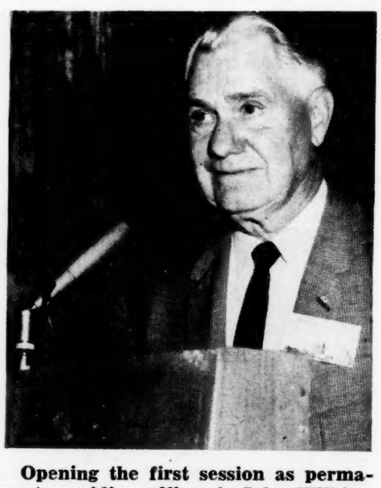
President Asks For Members In His Report

Donald J. Willmon, president United Bankers of Dallas and immediate past president of the association, traced the background of NALC and particularly stressed the need for additional members in his report. Incapacitated by injuries suffered in an automobile accident, Mr. Willmon's address was read by John Wilkins, president Citizens National of Indianapolis. The talk, somewhat abbreviated, is presented below.

When I attended the organizational meeting of this association in 1955, there were representatives of 50 companies present. When the organization was completed, 43 companies had pledged themselves to the establishment of a forum through which the younger, smaller, growing, progressive life insurance companies of the U. S. could make their voices heard in the industry.

NALC has become an important factor in the life insurance industry. We have more than 100 additional members, a fair degree of progress for this period in the association's growth, though substantially less than we need and that need us.

Individual reports of the various officers and committee chairmen, of the general counsel and of the executive secretary, will point out the gains and accomplishments of the year in many



Opening the first session as permanent presiding officer is John Wilkins, president Citizens National of Indianapolis, substituting for President Donald J. Willmon, president United Bankers of Dallas, who was still recovering from injuries suffered in a recent automobile accident. Mr. Wilkins also read Mr. Willmon's presidential report.

particulars. NALC has gained maturity. NALC has attained financial stability. NALC has attained national recognition throughout the industry, before Congress and with the various state regulatory authorities. NALC has achieved a great deal for the growing, progressive companies throughout the country, and its membership, once confined to the southwest, southeast,

(CONTINUED ON PAGE 14)

B. L. Carter Named President At Sixth Annual Convention

300 In Okla. Capital For Panels And Speeches On Large Variety Of Topics

By R. R. CUSCADEN

OKLAHOMA CITY—A young, b extremely vigorous six years old, N tional Assn. of L

B. L. Carter

Companies held annual conventi last week in t city which, if occasionally r out of sunshi never fails amaze the visi with its ubiquit oil wells.

The "parents" NALC—some companies— pretty obvious pleased with their offspring and, this year's meeting is any criteria, organization should make them ev prouder as the years go by. The se sions, composed of a variety of top ranging from A&S problems a federal income taxation to age management and state regulati were interesting, hard-working a almost invariably filled to capaci

Carter Succeeds Willmon

B. L. Carter, board chairman, P oneer Life & Casualty, the associ tion's treasurer since its foundi was elected president succeeding Do ald J. Willmon, president United Ban ers of Dallas. Herbert L. Thomas First Pyramid Life, was reelected se retary and Claude H. Poindexter, a ministrative vice-president Coas States Life, was named treasurer. Willmon became executive commit chairman and both J. R. Cissna, Fe eral Old Line Life, and Forrest G. R Guaranty Income Life, were renam to that committee.

The William P. White trophy, pr sented for services to the "young growing companies during the yea was awarded to W. Hunter McLe president American Standard Life, "recognition of his diligent servi on the taxation committee and careful studies of tax legislatio

Attendance at the three-day me ing edged over the 300 mark and an association record. Indeed, if the were a fly in the ointment at all, was the inability of Mr. Willmon attend. Mr. Willmon was still reco ering from a serious automobile acc dent suffered some months ago a had to send his regrets. His place presiding officer was ably filled John Wilkins, president Citizens N tional of Indianapolis, and past pre ident and executive committee cha man NALC, who read Mr. Willmo presidential report on the final afte noon. Some large get-well cards we circulated during the meeting and present signed.

DeWitt H. Roberts, the associatio thoroughly capable executive sec

(CONTINUED ON PAGE 19)

Urges Balanced Program Of Permanent Life Insurance And Mutual Fund Shares

Harry H. Crow Jr., vice-president of Southern Equitable of Little Rock, addressed the first day's luncheon. His talk, "Variable Annuities as They Represent Competition With the Life Industry," provoked a good deal of corridor discussion and is given in full below.

At present, in the United States, there are three companies that write and issue variable annuities—Participating Annuity Life of Arkansas, Variable Annuity Life and Equitable Annuity Life of Washington, D. C. Theirs has been a unique existence the past four years. Attention was not focused on their operation until the mutual fund industry took a look. They found, and these are general facts about Variable Annuity Life, that here was a company styled as a life insurance company with the advantages thereof, conforming only to state insurance commissions' regulations, being taxed as a life insurance company, but engaged in the investment business much as a mutual fund and offering no guaranteed dollars or cash values as is normal in a life company operation. Nor were they complying with any federal laws governing stocks and management companies.

Complaint Filed

Needless to say a complaint was filed. We all know the outcome—the Supreme Court in March of 1959 ruled that the Variable Life of Washington must conform to the Investment Company Act of 1940 and the Securities Act of 1933. That was a momentous decision for the life insurance industry. Therein was engaged a tremendous battle in the life industry.

Why was this a battle within the life insurance industry? Because responsible, knowledgeable, progressive and powerful people within the industry have recognized the variable annuity as at least one approach to the unmistakable fact that the life insurance industry has not met the challenge of fulfilling a need for protection for the individual in his retirement program against the erosion of the purchasing power of the dollar and to enable him to benefit in his retirement from the increased productivity of the nation's economic system.

All of you here are painfully aware of the rising cost of living. You know what has happened to the fixed dollar income. Your agents have clients, friends or knowledge of someone whose retirement program is no longer adequate. Who is to meet this challenge if not the life insurance industry? I'll tell you—the mutual fund industry, the variable annuities companies and certain foresighted life company managements.

Where do we go from here? I should like to tell you about some pertinent developments that have occurred in the past year: First, Prudential has led the fight for successful legislation in its home state of New Jersey to permit the sale of variable annuities by life companies. Next, Variable Annuity Life requested certain exemptions of the SEC in registering under the Investment Company Act of 1940 and the Securities Act of 1933, some of which they received and now have an effective registration with the SEC and are flexing their muscles for business.

Third, Mutual Life of N. Y., State Mutual, New York Life, John Hancock—all are favorably disposed towards variables and I know of three other companies now in the process of organizing. United Funds of St. Louis have hired a former life insurance man to help them get into the business. The charter of Syndicate Life, owned by Investors Diversified Services of Minneapolis, contains a provision authorizing them to write variable annuities.

Fourth, most important, Prudential has filed its registration statement with the SEC and expects to be in business by the end of the year!

What does this mean to you? That's your new competition—growing stronger every month. Variable Annuity Life has registered a $12 million common stock sale with the SEC—what couldn't each of us do with $12 million in new capital?

I would not like to infer that a variable annuity is the panacea for insurance programs or for life companies. But, if I can alert you company managements to the exploding developments in the life insurance industry, we will not be caught short when our agency forces demand competitive products.

Variable Annuity Opposed

Do not think that there has not been opposition to the variable annuity. Frederic W. Ecker, president Metropolitan Life, is still vehement about the position his company maintains. It is my personal opinion that his position is untenable in view of the current trend. Let me read the transcript

(CONTINUED ON PAGE 22)

Miller Outlines And Analyzes Many Recent Developments In A&S Field

Paul V. Miller, associate actuary Employers Reinsurance, Kansas City, spoke on Thursday afternoon's "Accident and Health Problems" panel. His address, which is given below, was entitled "Products and Problems: New and Old," and touched on many recent developments in the A&S field.

The title pretty well tells what I will be talking about for the time allotted to me. Problems, we have and always will have. New products we have, by the dozens. Possibly, the 1950s in the health insurance field could be called the age of longer disability benefits and shorter policy provisions. There has been a great change in many policy clauses, reflecting efforts by the companies to create policies that are written in simple language that people can read and understand. Compared to other lines of insurance, most A&S policies are easy to understand now, but most of our policyholders still won't bother to read them. We now even have some policies that read as though the company is really talking to the insured, using the words "you" and "we." We have full insuring clauses boiled down to one or two lines in the policy. Of course, we still need two pages of definitions for the words used in the two-line insuring clause. Still, it is good for policies to read as easily as we can make them.

Paul V. Miller

Business Words Are Time Savers

We can't expect to settle all of the problems by simplified language and we can't expect to eliminate all of the technical words from this very technical business. Some of our technical words are like shorthand symbols used by secretaries. They are used because they save time and effort. Every business develops words which are effective time savers.

"Trying to keep up with all of the new products would be like trying to keep up with all of Castro's insults to the United States. For that reason, I hope you will excuse the fact that these comments will only briefly touch on a few of the new developments as I see them and any opinions I might express are strictly my own. I don't ask you to share my opinions but you're pretty well stuck with the prospect of at least hearing them.

Let's start with one of the products which is considered new in almost everybody's book—major medical expense insurance. Less than 10 years ago, no one had ever heard of major medical. Today the woods are full of experts in this field. A man who is not familiar with the health insurance business, when he first hears about major medical expense insurance, says "This is it. Why has the business been floundering around for so many years with all of their Model-T type policies when what the public really wants is this, the "Cadillac of Health Insurance." To some extent, I agree. It seems very logical that our medical and hospital expense insurance should be provided simply on the basis which reimburses us for all of our expenses but with a deductible which eliminates the small claims that we should be able t handle in our regular budgets. It's n quite that simple. Despite the fact th this is a very logical coverage, it ma come as a surprise to know that man agents don't even have to carry a cl to fight off the applicants wanting sign for the coverage. Major medic has made outstanding growth in th group insurance field. Its progress i the individual field has been less ou standing. This may come from the fa that group insurance is often sold buyers who really know the best prod uct for their members and employe and are not so strongly influenced b the cost. It may also be due to the fa that much of the group insurance subsidized by the employer, leavin the employe with almost certain pro pects for collecting more in claim than he pays in premium. A third rea son might be the fact that some grou writers apparently like to lose mone on major medical.

Solve Some Problems, Create Others

When we provide major medical ex pense coverage, we do solve many the problems resulting from the mo typical allocated coverages. Howeve we surely do create a number of oth problems in the process. One of th greatest problems is control of th abuse of the coverage. The use of deductible obviously helps to redu claim frequency. The use of coinsu ance, that is, requiring the insured pay a small part of every expens helps to control costs. Neither of the provisions will cure all of the clai problems in the major medical fiel I won't go into all of the detailed prob lems because I don't know all of the and even the ones I know about cou take the rest of the day for full di cussion. In fact, Health Insurance Ass recenty devoted a full three-day co vention almost exclusively to the stu of group major medical expense cove age by over 300 industry people. Th discussed many problems. They did solve all the problems and neither w we today.

Cost Is Complicated

The cost of major medical expe is, to say the least, complicated. T cost varies tremendously according age, income, sex, and geographic lo tion. As we learn more about the fects of these different factors, I easily see the possibility of rate m uals for major medical expense co age becoming larger than some of workman's compensation and auto bility manuals. Nevertheless, m companies have entered the major dical field and more companies seem be getting into the act every day.

No One Knows True Cost

A number of the companies who in the field sometimes wish they w back out of it again. It is still a co age fraught with many dangers a great deal of experimentation is needed. It is still safe to say that p ably no one knows the true cos major medical on a nationwide b Actuaries can't figure the rates e time. Some companies have sadly sed the boat on their rates for m medical and some of these very c panies have more actuaries than o companies have employes. Actu aren't magicians.

Even though major medical exp has been getting a great deal of t

limelight, many interesting changes have been taking place in the more conventional hospital insurance field. Perhaps the most notable trend is the strong surge toward guaranteed renewable coverage. Many of the hospital policies now written are guaranteed renewable for the life of the insured.

Our business still faces the strong possibility of being taken over by the government. If it is taken over, one of the major reasons will have been the unhappiness caused by companies cancelling hospital policies at the time when their insured needed the coverage the worst. If we're going to save this business of ours, we must stop cancelling policies solely because of physical condition.

When I speak of hospital which are guaranteed renewable for Life, I want to make it clear that I am talking about policies which even though they are guaranteed renewable, are not issued with a guaranteed premium rate. Most of the hospital policies provide at least some benefits which are in the form of reimbursement of expenses. Since these expenses are subject to rapid changes as the years go by, I think we would be foolish to try to guarantee a rate for the coverage. During the past 15 or 20 years, hospital and medical costs have increased on the average of 5 to 10% per year and most of the experts predict that this trend will continue. Even though we can't guarantee a rate under these conditions, we can, and should, guarantee our coverage.

One of the growing problems in the hospital field today is principally the result of our own competitive efforts and shortsightedness. This is the problem resulting from the stacking of hospital policies. By stacking, I mean the purchase by a single insured of two, three, four, or even more hospital policies, each of which, by itself, would probably be inadequate in its coverage. The fact that one of our insured has two or more hospital policies, doesn't necessarily indicate that he wants to make a profit on his sickness. It usually stems from the fact that insured bought one policy and then found that it was simply inadequate when he got sick. Even if it were adequate when he bought it, the passage of a few years would make it too small for the higher costs of today. What does he do? He goes out to buy another

(CONTINUED ON PAGE 16)

McClatchey Discusses Interest Exemption Under New Federal Income Tax Law

Devereaux F. McClatchey, general counsel NALC, presented an address on Friday, the nature of which affects, however directly or indirectly, the entire life insurance industry. His talk, "Tax Exempt Interest and Intercorporate Dividends Under the 1959 Life Insurance Company Income Tax," its four main sections quite suitably detailed, is given in substance below.

1. Description of act. This was one of the most controversial features of the new tax act in the discussions before the committees of Congress. The act as adopted takes account of the arguments of the government and of the insurance companies. As will be discussed in a few minutes the arguments ranged around whether the proposed act would, in fact, constitute a tax on exempt income. The matter of the intercorporate dividends deduction became tied in with the argument on exempt interest and in the act as adopted is treated in the same manner as exempt interest, although there is no constitutional question about the right of Congress to tax insurance companies on intercorporate dividends, despite other corporate taxpayers having this deduction.

Act Resolves Argument

The act resolves the argument in this way: All of the investment income, including tax exempts, intercorporates and other investment income, is taken account of in determining the investment yield. This is taken for a preceding five year period or for the current year, whichever is lower. From this figure the yield enjoyed by the company is compared with its reserves in order to determine the proportion of the yield necessary to set aside reserve requirements for the year. This percentage furnishes for purpose of phase 1 that part of each item of investment income which for purpose of phase 1 is set aside to meet reserve requirements. Typically this figure will run from 70 to 85% of the investment yield.

Having arrived at this percentage, it is then applied to all items of income, including tax exempt interest and intercorporate dividends. Thus, if the reserve requirements for a particular company for a particular year were 80%, then 80% of the tax exempt interest would be set aside for purpose of phase 1 as being a part of the requirement for policy reserves, and the other 20% would be placed under the column "company's share." The same treatment is accorded to intercorporate dividends. When in this manner the total of the company's share for the year is determined, the items under this column representing the company's share of tax exempt interest and 85% of intercorporate dividends are deductedfrom the total, together with other permissible deductions. This gives the taxable income.

Under phase 2 it would appear, although contrary opinions have been expressed, no part is played in the figure arrived at by either tax exempts or intercorporate dividends, inasmuch as under this phase the company's share (determined in the manner shown above) is included as income, but is deducted from the total, making a net zero effect for these items un-

der phase 2 (except for 15% of dividends). Then under phase 3 the total of the tax exempt income is added back to the stockholder's surplus and 85% of the intercorporate dividends is added back to the stockholder's surplus. (Bear in mind that this percentage may be varied under the limitations provided in the act.) So it would seem that the maximum deduction is permitted under the act under phase 3 and that it is phase 1 which is the cause of the argument.

A further vital conclusion for smaller life insurance companies is this: So long as there is no gain from operations under phase 2 there can be no concern about the treatment of tax exempts and intercorporates under phase 1. Very many smaller companies for the next few years will wind up with no tax or with a negligible tax, because after applying the various deductions permissible under phase 2 they come out with a lesser figure under this phase than under phase 1.

2. Contentions of insurance companies and of government as to treatment accorded tax exempts and intercorporate dividends. The government contended that the treatment it recommended and which was adopted in the act for taking account of tax exempts and intercorporates under phase 1 in determining the share of the income needed for reserves was a necessary method of proceeding in order to avoid a "double deduction." The Treasury Department contended that if tax exempts and intercorporates were simply excluded totally from income under phase 1 and then again deducted under phase 2 and added back to stockholder's surplus under phase 3 the life insurance company would have received more benefit from the tax exempts and from the intercorporate dividend deduction than other taxpayers. In the government's view account would not have been taken of its income from these sources in determining its investment yield, and thus a greater deduction would be required for reserves than warranted by the actual income of the company for the year. This view was accepted by Congress in the act which was adopted.

The insurance companies contended on the other hand that the effect of prorating the deductions under phase 1 as between reserve requirements and company's share is to accord the company a lesser benefit from these deductions than other taxpayers.

Company's Position Correct

It is undoubtedly true that the company's position in this respect is correct. This comes about because the scheme adopted in the act for prorating the deductions as between reserve requirements and company's share has the effect of using deductible income to meet an expense requirement whereas, if this were not done other income not deductible would be used to meet the expense requirement. Thus the expense requirement is satisfied out of deductible income, and this leaves an additional amount of income subject to tax. It is, therefore, beyond any question and would be conceded by the Treasury that the effect of the treatment adopted in the act is to cause a greater tax to arise than if the deduction for these items were allowed in full before the income is prorated as between reserve requirements and company's share. It is true, however, on the other hand that full recognition of the deduction would seem to be given in phase 2 and that the full deductions are allowed as an addition to stockholder's surplus under phase 3. The precise effect of the treatment accorded to these deductions will vary as between companies, dependent upon all of the factors present; that is the proportion of tax exempts to total income, the reserve requirements, the investment yield, the total experience of the company under phase 2, etc. Tax exempts will be worth anything from a maximum benefit for one company to almost a negligible benefit for another company.

Third Section Given

3. Basis of arguments by insurance industry that the act levies a tax on tax exempts and intercorporate dividends. The argument of the companies is, of course, based upon the fact that that there is a constitutional prohibition preventing the government from taxing interest on state securities.

The arguments go back to the case of National Life Ins. Co. vs. U.S., decided in 1928 by the Supreme Court. That case discussed the life insurance income tax act of 1921, which imposed a tax on a percentage of net income determined by deducting interest received during a taxable year from tax exempt securities, plus an additional amount to bring the total deduction from income to 4% of the insurance company's reserve funds. Thus, this act limited the total deduction to 4% of the reserve and then directed that the income from tax exempts be included in making up this 4%. The act accordingly has strong analogies to phase 1 of the 1959 act. It appears that the greatest part of the insurance industry joined with the government in promoting enactment of this 1921 law. National Life, however, contended that the effect of the law was to constitute

direct burden on its income from exempt securities.

A majority of the court agreed with the argument of the life insurance company and struck down this feature of the act as unconstitutional. The court, through Justice McReynolds, points out that in the case of National Life no benefit was received from its tax exempt securities because its exempts exhausted its 4% deduction. The court says: "One may not be subjected to greater burdens upon his taxable property solely because he owns some that is free. No device or form of words can deprive him of the exemption for which he has lawfully contracted." The court, therefore, concluded that the act did constitute a direct burden on the income of exempt securities and was, therefore, unconstitutional.

Congress now has provided that the income from state obligations is not subject to federal income tax. Thus, this is now a matter of congressional determination and there is no warrant for the Supreme Court at this time to discuss a constitutional question on this point.

Specifically with reference to the life insurance company income tax act of 1959, as a result of the strenuous argument which arose in this area, the act contains the so-called "I Don't Mean It" clause, which provides that if it be determined that the act as adopted does in fact impose a tax on tax exempt interest and intercorporate dividends, then the tax shall be recomputed in a manner so that there is no such tax. Thus there can be no consideration by the Supreme Court of the constitutional question and the question which will be up for decision when it is properly raised will be merely a matter of statutory interpretation.

4. Opinion as to outcome of judicial interpretation of statute dealing with tax exempt interest and intercorporate dividends. Bearing in mind the trend of the court decisions and the fact that there are three phases to the 1959 act and that full deduction is allowed under phases 2 and 3 of tax exempt interest and 85% of intercorporate dividends, I would guess that it will be finally decided when the issue is presented that this act deals with these deductions in the manner as determined by the three dissenting judges in the National Life case; that is, I would judge that it would be decided that while undoubtedly the result of the act is to determine a tax under phase 1 which is greater than that which would be arrived at by according full deduction for tax exempts and intercorporate dividends, the court will hold that it was within the power of Congress to grant or withhold such deduction. It will hold the trend of the decisions would seem to make probable that the act does not constitute a direct tax on these two items of income, but only an indirect tax, in that it requires that these items of income be used toward satisfying another deduction and thus prevents other taxable income from being used for this purpose. As a result then, the court will say, if this trend is followed that the act does not in fact constitute a tax on these items of income and no recomputation will be called for in order to allow a greater deduction than the act provides. The "I Don't Mean It" clause would not then be brought into operation.

It is difficult to imagine, however, how this issue can be brought to a court at any early date. In order for there to be a case made, the taxpayer's return must be audited and the procedure must be followed which is set up for bureau determination of additional assessments. Unless there is some special arrangement as between a taxpayer and the government to go through this involved procedure at a faster pace than is normal, and bearing in mind that many companies have not yet filed their 1959 returns, and without special knowledge of what plans have been made by the companies to seek to test this issue, I would not believe there would be any early developments along this line.

New Orleans For NALC In '61

New Orleans has been selected as the site for the 1961 convention of NALC. The 1962 meeting is scheduled for Seattle to coincide with some of the major events of the World Exposition.

Winter Conference Set For N. Y.

The winter conference of NALC committees will be held in New York, Nov. 29-30, at the Roosevelt Hotel. The association notes that sessions are being held at that time inasmuch as many members will be in New York for the National Assn. of Insurance Commissioners' meeting.

President Asks For Members In Report

(CONTINUED FROM PAGE 8)

and midwest, now extends from California to New York, from Alaska to Florida.

You will have had reports on federal income tax forms, on combating ill-considered federal health insurance plans, on seeking fair treatment for all companies in the sale of life insurance on military installations, and on the constructive work that the NALC office and the Washington counsel are doing on many fronts.

All of these are encouraging. But NALC needs additional membership. And in making this report to you, I wish to urge that every member concern himself more and more with this vital problem. There are approximately 180 other life companies that ought to be at this time members of NALC. I hope that we shall be able during the coming year to add a minimum of 75 members to the association list.

Important Victory Won

One important victory that NALC has won, not merely for the younger, growing, progressive companies, but for the entire industry, for the policyholders and for the nation, is a reacceptance of life insurance as a sound investment.

In 1954, life insurance as an investment was under attack, and this attack was one of the major motivations in the establishment of NALC. Some major life companies attacked the notion that life insurance was an investment. Many life agents derided life insurance as an investment. Many state regulatory authorities condemned the mere use of the word "investment" in connection with a contract of life insurance.

NALC took the sound, historically justified, reasonable and conservative position that life insurance was a legitimate investment; that the money paid in premiums on most types of life insurance were savings; that the use of the expression "investment" in describing a sound life insurance contract, other than term, was a legitimate use of that word.

All of the members of NALC who have been with us since the beginning remember the hoots of derision directed at us for taking this position. In the brave new world that then existed, the investment aspects of life insurance were to be disregarded.

Half Dozen Disagree

Today only a half dozen state regulatory authorities refuse to recognize that insurance is an investment. The agents who were screaming against selling life insurance as an investment now carry sales kits that describe it in those terms. The companies that took the opposite view are the most enthusiastic in pushing the pendulum the farthest in the opposite direction.

It may well be that as certain large companies go too far in stressing the investment side of a life insurance contract, NALC will be compelled this year or the next or the next again to reassert the historical and conservative attitude that marked its establishment and will have to go to regulatory authorities to suggest to them that the sale under an investment guise by certain large life companies of term contracts as investments is not entirely justified by facts. When that occurs, then we will have gone full circle.

I mention this because the success of NALC, its sound growth, its continued service to the members in the whole industry and to the nation have been based on this one fact; we have tried and we have succeeded in presenting facts; we have stayed with the truth; we have argued for that which was right. And in the end, right is certain to be triumphant.

Hits Eight Features Of Life Company Tax

(CONTINUED FROM PAGE 8)

against the investment income creating the loss.

Life companies derive their profits from the same sources as banks, that is, from loans and investments. Life companies should be permitted the same treatment of capital gains and losses as is permitted to banks.

V. Tax-exempt interest and intercorporate dividends. The discriminatory treatment of life companies in this area is well known. They, of all tax payers, have been singled out for discrimination through the levying of a tax on tax-exempt interest and a reduction in the customary exemption on corporation dividends.

VI. Deduction of 2% of group A&S premiums. This deduction does not relate to individual A&S policies. Good and sufficient justification exists for the 2% deduction of group A&S premiums but the same reasoning also justifies a 2% deduction of individual A&S premiums.

Experimentation with new coverages, with non-cancellable policies, with old age and other special risks, with non-forfeiture benefits and more liberal policy provisions, dictates a conservative taxation of the illusory profits from A&S business; profits which often are temporary and soon replaced by substantial and continuing losses.

Accomplishes Purpose

VII. Approximate reserve valuation. Congress attempted to do equity between life companies reserving upon different methods. A company desiring to avail itself of the approximate reserve valuation option, would increase its reserve (for tax purposes only) by the transfer of sums from surplus. This option accomplishes its intended purpose in phase I.

However, as policies terminate and the "artificial" increases in reserves are returned to surplus, the amounts are subjected to tax under phase II and III. This imposes a tax on sums previously taxed. We can nowhere find that Congress intended this result.

VIII. Loss carry-forward period inadequate. The loss carry-forward period of five years for established companies and eight years for new companies is inadequate. These periods of time are preposterous to anyone familiar with the peculiarities of the life insurance business.

An agency department growing in numbers of agents and in volume of business produced is the life blood of a life insurance company yet produces substantial losses. Growth is not obtained within short spans of time but over very long periods of time and so such losses continue. No life insurance company expansion program can be economically tailored to the brief span of years allowed under the tax. law.

In addition, we have seen, within the last few years, policies placed upon the market at such competitively low premiums as to return profits only after 20 years of persistency. It is absurd to presume that a five or eight year period can do equity under these conditions.

A continent from Recording & Statistical Corp.: Kenneth L. Harrison, Danville, Ill.; Jack W. Markell, Atlanta; Wayne Feldman, Danville, and Dudley V. Allen, Dallas.

Five Colo. Companies Hold Reception For Commissioner Beery

Although scheduled for only one reception, the President's reception on Friday (Oklahoma life companies sponsoring), the convention was pleasantly surprised when five Colorado companies announced a reception honoring their commissioner, Sam Beery.

Mr. Beery, who was recently elected president of National Assn. of Insurance Commissioners, was moderator Saturday morning for a panel on company and state regulation.

The host companies were American Founders Life, Liberty Life & Casualty, General Bankers Life, National Western Life, and Security Life & Accident.

Ladies Not Forgotten

Ladies attending the convention were not forgotten. Two special events were held: A bridge-tea on Thursday afternoon sponsored by Elba Corp., the audio-visual sales organization of Boulder, Colo., and a tour Friday afternoon sponsored by Security Life & Accident. And, of course, the ladies were guests at the two receptions and the annual banquet.

☆

Camera Views Of NALC Convention

Photographs of leading personalities at Oklahoma City meeting of National Assn. of Life Companies taken during the three days of sessions last week. All identifications are from the left.

☆

G. L. Moody, president State Life, Springfield, Ill., and Mrs. Moody.

Robert E. Adams, Connecticut General Life, and Carlton Harker, Coast States Life. Mr. Harker spoke on the federal income taxation panel.

H. C. Evans, president Universal Life & Accident of Indiana, and J. L. Lewis, Missouri Fidelity Life of St. Louis.

E. J. Reeves, Commercial Travelers of Dallas, and W. Hunter McLean, president American Standard Life and a former senior examiner of the Texas department.

John E. McDowell and James E. McDowell, agency director and president, respectively, of Great Western Life of Oklahoma City. The senior Mr. McDowell is also a vice-president of NALC.

Paul H. Schultz, general manager National Masonic of Mansfield, O., and F. G. Shepard, regional vice-president American United Life of Atlanta.

Claude H. Poindexter, president Coastal States Life: Ellis Arnall, board chairman of both Coastal States and NALC and former governor of Georgia, and DeWitt Roberts, the association's executive secretary.

John Crawford, Oklahoma department actuary; George R. Van Fleet, Republic National, and Paul V. Miller, Employers Reinsurance, Kansas City. Mr. Miller spoke on the A&S panel.

Harry H. Crow Jr., vice-president Southern Equitable of Little Rock, and Mrs. Crow. Mr. Crow was the first day's luncheon speaker.

Forrest G. Ray, vice-president, secretary and actuary Guaranty Income Life of Baton Rouge and NALC executive committee member, and W. L. Bryan, board vice-chairman Georgia Life & Health.

Syl W. Goebel, former commissioner of Kentucky, and Sam Beery, commissioner of Colorado and president National Assn. of Insurance Commissioners.

All from Bankers Service Life of Oklahoma City: Phillip White, vice-president and agency director. A. L. Crable, vice-president in charge of special policies, and Thomas E. Bennett, vice-president and general counsel.

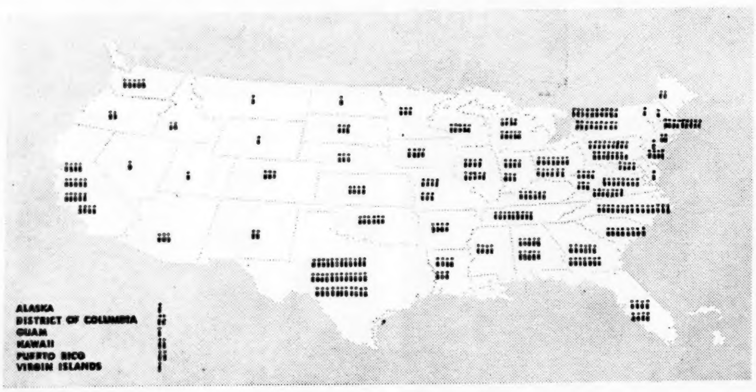
Louis M. Gregory, president Lee National Life, and Herbert L. Thomas Jr., president First Pyramid Life of Little Rock. Mr. Thomas, who was moderator for the agency management panel, was reelected secretary of NALC.

On hand from United Founders Life of Oklahoma City were Bernard G. Ille, executive vice - president; William L. Douglas, vice-president and secretary, and Frank M. McKiernan, vice-president and agency director.

M. C. Duncan, vice-president Western Security Life of Oklahoma City and Joe B. Hunt, Oklahoma commissioner.

G. Albert Lawton, president Georgia International Life, and Joseph W. Perry, secretary Western & Southern Life.

James D. Ratliff, regional vice-president American United Life of Indianapolis; James K. Ashley, Indiana commissioner; Jul B. Baumann, president Illinois Mid-Continent, and Joseph S. Moore, Austin attorney.



Miller Analyzes Developments In A&S

(CONTINUED FROM PAGE 11)

policy to supplement the first one. He may then find that even the two policies are iandequate, so he buys a third one and the fourth one, etc. Then along comes a claim, (perhaps very minor) and he incurs maybe $100 of expenses. All of a sudden, he learns that none of the policies will reimburse the full $100 but each of his five different policies will reimburse him to the extent of perhaps $50. He makes about $150 profit out of being sick. He also finds that if the doctor will charge him just $10 more, he can make another $15 clear profit. Many an honest man has given in to less temptation than this and many of our honest insured will have a tendency to demand every kind of service they can imagine when they realize what they have. You've heard about having your cake and eating it too—they can get another two or three pieces of cake as a bonus for every piece of cake they can eat.

Correction Is Difficult

By writing inadequate policies, we asked for this problem and it's up to us to correct it. By paying benefits regardless of whether the loss is covered by other insurance, we have made the correction far more difficult. This problem has caused us to lose friends among the hospitals, the doctors, and among the general public. It has caused us to force upward the price of the very product we would like to provide at attractive rates. Unfortunately, there are many people, some in high government offices, who feel that insured should get every benefit under his policy, even though it constitutes a profit for the insured, simply on the basis that "He paid the premium, so he should get the benefits." Oddly enough, many insurance people agree with that philosophy but only in the field of health insurance. On the other hand, if a man buys two fire insurance policies on his house, he still collects only the actual value of the loss when there is a fire. If you buy two floater policies on your personal property, you don't collect 200% of your loss. Everyone familiar with insurance knows that this would be against public policy and would be an invitation to fraud. Not in the health insurance business! In this business, if a man buys $200 of daily hospital room and board coverage and pays $10 a day for that room and board while he is sick, he still can collect the full $200 in most cases.

What's new in the principal sum or accidental death and dismemberment business? The worst development here is that several companies seem to want to throw away money by charging premiums which are less than their claims. Jumbo principal sum is the big subject today. It used to be that a $20,000 principal sum was considered quite large. Lately, we hear more talk about $50,000, $100,000, and some companies will write even as much as $500,000. How much is too much? I don't know. I think $500,000 is too much. I think $250,000 is too much. I think $100,000 is all that should be written. Too much accidental death coverage tends to make an insured neglect building a proper life insurance program.

Discusses Proper Rate

What is the proper rate for principal sum? Right now, we seem to be in the declining stages of a full-blown rate war for this coverage. The typical rate for a preferred risk in the younger ages used to be about $1.50 to $2.00. Many companies are still receiving rates at this level and higher. Some companies however are selling it at rates far below these. Most of the rate-cutting originated from foreign competition. According to our experience, the net claims cost for $1,000 of accidental death and dismemberment has been in the neighborhood of 75 cents. True, as a reinsurer, we don't get much business on the small policies and the larger policies usually develop higher loss ratios. Yet, millions of dollars of premium have been written at a gross rate of less than our claims cost. I've seen the coverage sold at rates as low as 50 cents a $1,000. Maybe the people selling it at those rates are getting better risks than my company is able to find. The fact is that the foreign competition which started most of the rate war in the principal sum field is and has been losing money on the business. As a result, the rate pressure has been relieved to some extent in recent months. Still, it's easier to reduce rates than it is to increase rates. I'm afraid we will have inadequate principal sum rates popping up here and there for several years. After all, when one claim can amount to as much as $200,000, it takes a lot of premium to build up an adequate spread of risk for the law of averages to make itself known. Many companies charging inadequate rates will never get enough business to have a real spread. Some of them will be lucky enough to make a profit for several years at the low rates and think that everything is fine. Others will take a terrific beating in the form of only a few accidental death claims

but since they don't have enough business to give them a spread, they might feel that they just hit a streak of bad luck.

Dismemberment "Gimmick"

The dismemberment schedule has always been sort of a gimmick to add to an accidental death coverage to give it a little more romance. We never thought about it costing very much. We don't often see double dismemberments and, of course, a single dismemberment paid only a fraction of the death benefit. In the last few years, we have seen dismemberment schedules sold where the benefits for the loss of one hand or the loss of one foot, or the loss of one eye was the same as the death benefit. One thing is sure. When we sell large amounts of insurance, with this kind of a dismemberment schedule, we will cut down the number of suicide claims. After all, when a man can collect $200,000 for the loss of one hand, why should he bother to commit suicide for the same amount of money. Apparently, our foreign competitors who started this type of dismemberment schedule are finally realizing this. In recent months, they have changed their program so that a single dismemberment pays only one-half of the principal sum benefit. However, the harm has been done. Numerous American companies copied these benefit provisions of our foreign competitors. They, too, are correcting this error but some of them are getting static from their agents because of the change. Static which could have been avoided by not making the mistake in the first place.

Our foreign competitors who started the rate war have now made substantial increases in their rates. The result is that several million dollars of personal accident premiums have been floating around the country looking for a new home. Of course, those are premiums that were developed at rates which now look too low but some of the large brokerage houses having several hundred thousand dollars of these premiums can point to their own favorable experience (which is pure luck) and say that they are exceptions. Some others can point out that their bad experience was pure luck in that it stems from only half a dozen claims. After all, half a dozen claims don't prove anything!

Policies Vary

In the last 10 years, we have seen a marked increase in writings of all types of disability policies, both commercial and non-can. The underwriting of disability insurance has become a very complex matter. We now see policies with nearly every type of renewal provision, ranging from non-cancellable and guaranteed renewable level premium policies to straight commercial policies which are cancellable by the company at any time. Between these extremes, we find many different clauses, representing varying degrees of renewal control which can be exercised by the company. Unfortunately, there doesn't seem to be any truly ideal renewal provision with respect to disability coverage. Each of the different provisions presents its own problems. Obviously, the most desirable provision from the standpoint of each individual insured would seem to be the non-cancellable and guaranteed renewable policy which the company cannot alter in any way and neither can the company change the rates either on an individual or a class basis. The insured owns the policy. This type of renewal provision would cause no trouble for anyone if we could be sure that the conditions existing when the policy was issued would continue to exist so long as the policy stays in force. When we issue a policy, we take careful pains to see that the insured is honest in his business and social life.

When we issue a non-can policy, we go to great pains to determine that the insured is actually making more money while he is in good health than we will be paying him while he is sick. However, we are also, in effect, insuring his ability to continue earning more money in future years than we will be paying him when he is sick. Some people lose their ability to earn a good income through reasons other than disability. Some of them become dishonest and are fired. The man who becomes dishonest in his work will probably be dishonest in his dealings with an insurance company. If he decides to collect some disability benefits under his policy, it is a good bet that he will collect. The company may know that it is being swindled. It takes proof. If the policy were a commercial policy, the company still would have to deal with the claim and settle it. However, with a commercial policy, the company could then decide against doing any further business with the insured by terminating the coverage after the claim is settled. When the policy is a non-can policy, the company must sit by almost helplessly, waiting for the insured to figure another set of circumstances which will make a good looking claim.

Don't Want To Collect

Of course, most of our insured don't want to collect on their disability policies. If a depression comes, many people will lose their jobs and have a hard time finding others. Depressions aren't always nationwide and don't always hit all occupations. The blacksmiths hit a permanent depression when the automobile was invented.

If we should have another major depression, we can expect a number of companies to lose money on all types of disability insurance. Undoubtedly, some of the companies which are writing the bulk of their business on non-cancellable policies will go broke. To protect against the danger of insolvency, many companies have brought out policies which are guaranteed renewable so far as each individual insured is concerned but the company retains the right to increase premiums on a class basis, whatever that means. This right to increase premiums might well become the policy provision which keeps a company solvent in future years. Even so, the right of increasing premiums in future years, does not solve the basic problems of non-can business. The dishonest claimant will not be interested in the fact that all of the other policyholders will have to pay more money for the coverage as a result of his fraud, and the problems resulting from overinsurance will not be solved by increasing premiums. In other words, about all we can expect out of the guaranteed renewable policy as contrasted with the non-can policy is to be able to increase rates as a last resort to avoid insolvency.

What would be the ideal kind of disability insurance policy? A policy which would give the insured every protection he needs and, at the same time, give the company the protection it needs. I have some strong opinions on this. The policy should protect the insured against cancellation so long as he continues to be honest in his dealings with the company and so long as he needs the coverage, regardless of his physical condition. The policy should give the company the right of

terminating or adjusting coverage if there was material misrepresentation in the application or material misrepresentation in presenting claims under the policy. The company should have the right of protecting itself against the situation where it is desirable to the insured to become disabled. By this, I mean that the company should have the right of reducing benefits on a claim whenever the total benefits received by the insured exceed 80% of the net after-tax income which he received prior to disability. Note that I am saying 80% of his net income after income tax. The old rule of insuring a man up to 80% of his earned income was a good rule when it originated but at that time, a man's earned income was the same as his take-home pay. We had little or no income tax, then. There is no income tax now, on disability benefits.

Right To Adjust

The company should have the right to adjust premiums on in-force business according to some predetermined plan. After all, a disability policy is no good if the company goes broke. The company should have the right of reducing benefits if the total income from disability insurance and other similar sources is greater than some stated maximum amount. The actual amount which should represent the maximum insurance for any risk is open to question. In my opinion, it should be not over $800 per month for anyone. The only exception to this would be the case of business overhead expense disability insurance which I will mention later. Some of you might say that a number of your insured need over $800 per month of tax-free income to maintain their standard of living. I say that the object of our business should be to keep our insured from suffering hardships during disability but we should never try to make a man contented while he is disabled. A happy disabled man stays disabled and ceases to be anything more than a parasite on society. Our prime goal should always be to make the insured want to get well and to pay him benefits only while he is truly unable to work.

Under our present laws, no company can provide a policy which automatically pro-rates claims for overinsurance in the manner I have suggested. Neither can a company provide for automatic reduction of benefits based on the total amount of insurance that is carried in all companies. Nevertheless, the companies can come reasonably close to this objective by retaining the right of adjusting coverage on renewal when overinsurance is found to exist. Obviously, we would still get stuck with a lot of claims where overinsurance exists at the beginning of the claim and was not known to the company until too late. It will take some changes in our laws to correct this situation.

Most Retire At 65

How long should benefits be payable for total disability? Should they be payable for lifetime? I think not. Our society has established age 65 as the typical retirement age. Whether we agree or disagree with this age for automatic retirement, we must face the fact that the vast bulk of working population anticipates retirement at age 65. Many of those who work on past age 65 do so because they want to, not because they have to. I think lifetime benefits for either accident or sickness are illogical. Ideally, coverage should provide benefits payable for total disability during the entire period of total disability but not beyond age 65. At that time, the insured should have a retirement program ready to take over. Social security will take over a part of his income in the great majority of cases. Some might say that an insured who has been disabled for several years prior to age 65 would not have had an opportunity to build a retirement program. Our job is to provide benefits which will make it possible for insured to build a reasonable retirement program aimed at age 65 even during periods of disability. That program doesn't have to provide as much income as he had before age 65. He doesn't need as much at that age.

Depends On Circumstance

Should disability benefits begin with the first day of disability, the eighth day, the thirty-first day, the 366th day? The answer depends entirely upon the circumstances of the individual insured. Far too much coverage is sold with first day benefits. Just about anyone who can afford to buy disability insurance at all can afford to get along for at least a week during total disability without any help from an insurance policy. Insurance against the first week of disability is expensive. Too often, we have seen insurance salesmen emphasize first day benefits and end up selling only $100 monthly indemnity. In most cases, the agent would have done a greater service for his client if he had sold coverage with at least a seven-day elimination period and, probably, even a 30-day elimination period. By reducing the cost through the use of an elimination period, he could have sold $200 or $300 monthly indemnity to the insured rather than $100. Then, when the insured starts to collect, he gets enough to do him some good.

One of the newest developments in the disability field is the introduction of non-cancellable policies which develop cash values and extended term provisions in much the same manner as a life policy for term insurance to age 65. No doubt you will be hearing more about this feature in coming months. In some ways, the idea makes good sense and helps eliminate the argument that companies are inconsistent in carrying active life reserves on non-can policies but not giving these reserves back to the insured if he wants to drop the policy, as we do in life insurance.

Cash Values As Answer

However, as I see it, the use of cash values is more of an answer to theoretical objections than it is an answer to public demand. It could well have an adverse effect on persistency and persistency is already one of our big problems. If a policy does not carry cash values, the reserve on a lapsed policy can be used to pay claims and overhead, thereby ultimately reducing the cost of insurance for the people who hold on to their coverages. History alone can tell us whether disability policies with cash values are a good idea.

I've tried only to touch briefly upon some of the new products in the health insurance business. Any one of the new products could be discussed in greater length and take up most of the session today. I've mentioned only a few of the problems and there are many.

I have probably expressed some opinions with which some of you disagree. I hope so. One of the best ways of learning about this business is to discuss the pros and cons of each problem and to find out how other people think about it. Thanks very much for allowing me to take part in your meeting this year.

Variety Of Topics At 1960 NALC Annual

(CONTINUED FROM PAGE 8)

tary, easily equalled the Sooner state's well-earned reputation for hospitality and the congenial Southerner kept things moving along smoothly at all times. One thing he hadn't planned on, but which proved a delightful addition to the meeting, was the appearance in the convention hotel of some 44 lovely candidates for this year's Miss Oklahoma title. It is a tribute to the programing committee that the sessions remained full without duress.

Following the invocation by Norman Whitehouse, Mayflower Congregational Church, Oklahoma City, John McDowell, agency director Great Western Life, introduced Oklahoma's Lt. Gov. George Nigh. Mr. Nigh welcomed the delegates to what he termed "Boy's State" (he is 32 years old and the governor 35), and the meeting was off and running.

Three On Panel

Although five commissioners (Apodaca of New Mexico, Combs of Arkansas, Hayes of Louisiana, Hunt of Oklahoma and Beery of Colorado) were scheduled to appear on a panel entitled "Your Company and State Regulation" politics in their home states kept two of them (Messrs. Combs and Hayes) from appearing. Its ranks thereby somewhat depleted, the panel made less of an impact than the program committee obviously had hoped for, but it nevertheless proved interesting. Mr. Beery was moderator.

A series of questions had been solicited from member companies before the convention convened and panel members took turns at answering them. These questions and the panel's responses were as follows:

Keep SEC Informed

What can companies do to inform and educate the SEC? Mr. Apodaca: If companies were as industrious in informing SEC of their wishes as they were in selling policies, there would be no problem.

Why don't commissioners have uniform investment requirements? Mr. Hunt: Commissioners have no alternative but to interpret the laws their states have originated, however much these may differ from state to state. Mr. Beery: Companies and organizations like NALC must work for those laws, and changes in present laws, they desire. It would, however, be ideal if all states had the same laws. Mr. Apodaca: Most problems that have arisen in this area have developed in only one or two areas. National Assn. of Insurance Commissioners has periodically attempted to get uniform laws, but such attempts have never gotten off the ground.

Discuss Licensing

What is the best way to get licensed in a state? Mr. Beery: Companies can assist the various departments of insurance by seeing they get more employes. Departments, without exception, are underpaid and understaffed. Here again is an area in which companies and NALC can contact their legislators for action. Mr. Apodaca: In many departments, as in New Mexico, it is impossible to do anything but review annual statements from December through June. Obviously, applications for licensing received during that time receive little attention. Also, some applications which are received are found to be incomplete. Mr. Hunt: Oklahoma welcomes companies, but is much appreciative if those companies desiring admittance would occasion-

ally take a look at Oklahoma laws. Companies often seem to have little or no knowledge of these.

Will it be possible in the near future for NAIC to get identical agent licensing requirements in all states? Mr. Beery: A survey was made a few years ago and it was found that any sort of over-all agreement on this subject was some time away. NAIC is, however, starting a file this year which will contain a list of all agents whose licenses have been either revoked or cancelled and the reason therefor. Mr. Apodaca: A "Touchy subject." A state is often at the mercy here of local producers.

Capital Requirements Explained

Why should capital requirements exceed $100,000 when a surplus of $100,000 is on hand? Mr. Beery: A necessary safety valve. Mr. Apodaca: In force because of the traditions of the past.

What can commissioners do to promote a better public understanding of a small company's financial position? Mr. Beery: An insurance department might not be adverse to offering the small company's figures on reserves, management, etc., to the papers. On a once-a-year basis, the papers should have no objection to using such a story and coming from the department it would carry more weight. Mr. Hunt: NALC could let the public know that financial requirements are the same for large companies as they are for smaller companies. Also, let the public know that departments approve as many small companies as large ones. The public relations story should be based on what the small companies are actually doing for the public.

Friday morning featured a panel on the various problems of agency management. Herbert L. Thomas Jr., vice-president and agency director, First Pyramid Life, the association's secretary, was moderator.

Ray Patterson, Research & Review Service, Indianapolis, was the first speaker. Stressing the need for training, he said the striving for a fine sales organization is actually the only real problem the life business has. Turnover is a "terrible" problem. When a man leaves a company it is a debit; but not shown is the time and money those who have been training him have wasted.

No Substitute For Product

There is still a terrific opportunity in the life business. There is no substitute for the product sold. Yet, Mr. Patterson asked, why are so many men lost to the industry?

A large eastern company has recruited 5,000 men in recent years just to stay even. In New York, an independent survey attempted to find out why men left the business. Several hundred were interviewed. Of these, some 78% said they had left the business because they had not received enough training and supervision, Mr. Patterson noted.

Dedicated men must be found and that dedication must be instilled by managers. The speaker said a company does not lose a good man who has a story to tell; nor does a company lose a good man who feels he's going somewhere.

Pre-induction training is not carried far enough, Mr. Patterson said. Companies must begin asking such searching questions as, what does your wife think about the life business? What do you think about the long hours and the night work? This sort of pre-induction training will lose a lot of men, but those leaving would not have stuck anyway.

Edward Thompson of Bowles, Andrews & Towne, Richmond, was next on the panel. Tongue in cheek, he referred to his subject, "Agent Financing," as "How to Lose Money Scientifically." He said such financing was one of the real "evils" of the business. And yet, the standard commission basis is inadequate for the beginning agent. Therefore, a good financing program is essential, except in unusual situations, if a company is going to get and keep good men.

There is, however, more to agent financing than simply the money, Mr. Thompson said. Companies need skill in selection. The entire background of a prospective agent must be secured. A medical examination may be helpful. Also, have the potential agent turn in a prospect inventory.

Motivation Essential

While the basic fundamentals of the business are important in training, of equal importance are the practicalities of the life business. Don't let the agent go into this business with his eyes closed, Mr. Thompson pleaded. Motivation is essential as is supervision: monthly or quarterly reports from the new agent's manager or general agent are often helpful.

Mr. Thompson then went into detailed explanations of seven types of agent financing plans: Annualized commissions, loan, salary, advance, reducing advance—increasing commissions, training commissions—selling commissions, and bank account.

The final member of the agency management problems panel was Doyle H. Baird, president National Western Life of Denver. He said all companies have the same problems. First of all an efficient home office is essential. Without this, the field force becomes

impotent. Policies must go out correctly typed and as quickly as possible.

An agency force must be built, Mr. Baird said. Much talk is heard about mergers, going into group, buying insurance, etc., but all this must take second place to the idea of building an agency force.

The agent must be considered an important part of the organization. Without the agent, the home office doesn't even have a purpose. Consequently, the home office must be geared to the needs of the agency force.

Recruit Through Agents

As to recruiting men, Mr. Baird said the best way is through a company's successful agents. A company that has a successful agency force doesn't have a recruiting problem; these men quite naturally draw other high calibre men into the organization. On the other hand, an agency force composed of a "bunch of buzzards" can only draw like men into the company's ranks.

A panel on federal income taxation brought forth the remark from Moderator J. W. Perry, Western & Southern, that very little factual information was available on the subject, and that, accordingly, every company's approach might well be different and/or at variance from another's. (The talks of two members of this panel, W. Hunter McLean, American Standard Life, and Devereaux H. McClatchey, general counsel NALC, are reported separately.)

Carlton Harker, Coastal States Life, after a rather detailed explanation of how his own company had approached this complex problem, said research into some 13 areas might very well produce some dramatic changes in a company's tax picture.

13 Areas Listed

These are 13 areas were: Merging for loss carry-over; entering pension, group or A&S fields; heavier expansion spending; reserve strengthening; electing net level over modified reserves; shifting emphasis on various types of investments; establishing a cost analysis section; more rapid charge-off of debit balances; getting monies to agents in a form other than increasing debit balances; buying or renting home office space; changing some accounting methods; controlling pattern of capital gains and losses, and stock company mutualizing.

Ian Charlton, Nyhart & Co., discussed "Home Office Management Problems." He said the home office has the responsibility of recognizing that the success or non-success of establishing a non-medical limit is often contingent upon the understanding and encouragement of it by the agent.

An actuary often aids the underwriter through a more comprehensive attempt at explaining the more complex aspects of policies, Mr. Charlton said. Another area in which the actuary can assist is in that sometimes difficult relationship between the agency and underwriting departments. It is here that the actuary must step in and guide and direct.

It is basically from agency department conferences that the actuary can originate and develop new company products. Commission accounting can become disastrously difficult unless the actuary has account procedures information, Mr. Charlton stated.

Of equal importance is the relationship between the legal department and the actuary. The actuarial element is touched upon almost immediately here—the drafting of a policy, for instance. Agency agreements also fall into this category.

Actuary Should Be Included

Mr. Charlton said that on the top management level, the actuary must be in on all policy committee meetings, he must know what plans are being formulated. Many of these committee members have broadly different insurance backgrounds and the actuary's prime function here is to keep the committee alive to the intricacies of bookkeeping.

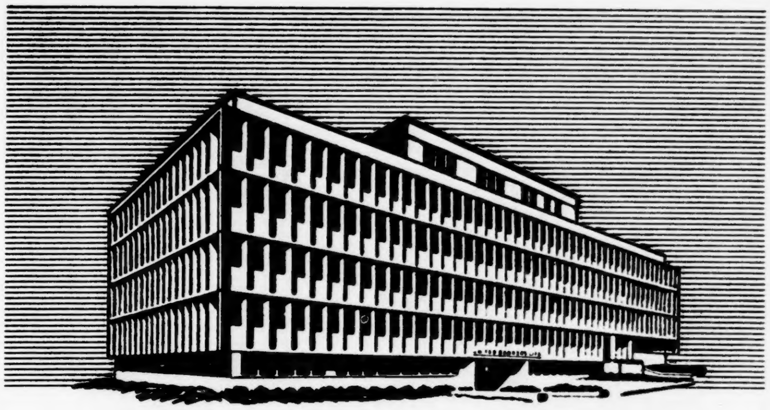
Turning to advertising, the speaker suggested that companies must not only dwell upon the actual policy benefit, but also let the public know where their premiums are going. The public must be informed of how it benefits from such life company financed projects as housing developments, etc.

Life companies should stick to selling life unless they can adequately sustain additional lines, Mr. Charlton said. It is easy for a company president to say "Can you give me an A&S policy?" But the answer to such a question can only be another question: Does the company have sufficient reserves? It is often best for a company to continue to develop its present territories, rather than to dilute its strength by attempting to move into other territories.

What type a market should a company attempt to develop? Mr. Charlton said this is difficult to ascertain, but, again, a company should first make sure it has already sufficiently developed the area in which it already operates.

Features of the banquet included a brief address by Indiana Commissioner Ashley and a humorous dissertation by Cecil Hunter, Oklahoma City, entitled "Tranquilizers—Results and Effects."

Thursday's luncheon was sponsored by Republic National Life.



Life, Mutual Fund Combination Urged

(CONTINUED FROM PAGE 9)

of arguments before the New Jersey committee hearing on variable annuity.

To-wit, Mr. Shanks, president Prudential, and Mr. Ecker, and I quote:

Mr. Shanks: "The public urgently requires a new economic weapon—some means of supplementing the traditional forms of retirement programing so as to secure for the individual an opportunity for participation in the expansion of the nation's economy and, at the same time, a chance at least to combat the impact of inflation on the purchasing power of the dollar."

Shows Basic Change

Mr. Ecker: "It [the variable annuity] is indeed a substantial departure from life insurance and would represent a basic change in the fundamental nature of our business. Heretofore, every contract issued by life insurance companies has been one under which the company assumed the full risk: Here, practically speaking, the entire risk is transferred to the purchaser. His benefits will depend almost entirely upon the vagaries of the stock market which is highly volatile and fluctuates widely. There have always been and there always will be wide swings down as well as up, and there is nothing we can do to prevent them. To gear the benefits of a contract issued by life companies to the stock market would represent a complete change in the traditional philosophy of the business and people will not understand it."

Retired People Defenseless

Mr. Shanks: "Probably no segment of our population has suffered so much from loss of purchasing power, and has been so defenseless against it, as our retired people. Those who have had to depend on fixed dollar retirement income during the past few decades have learned to their misfortune that they were given no guarantee of a financially secure old age. I think we have all learned that you cannot rely alone on the selection of a particular number of dollars, projected many years into the future, in the hope that it will be enough. We have no way of knowing what the dollar will buy in terms of bread, milk, and shoes twenty, thirty or more years from now."

Mr. Ecker: "I am convinced there is a very real danger that the public would not understand the fundamental nature of the variable annuity. When an individual purchases common stock or shares in a mutual fund, he knows he is taking the risk of investment loss. However, the public, as a result of a course of dealing extending over many years, has come to identify life insurance companies with contracts providing guaranteed benefits under which the full risk involved is borne by the company. You cannot change the nature of common stocks. They go down as well as up; and when they go down, a person relying on a variable annuity for retirement income is certain to be hurt."

Mr. Shanks: "Our economists have tested this theory [the variable annuity] in every conceivable situation during the past 77 years. Probably the most important result emerging from these investigations is the finding that, under the Prudential proposal, there has not been a single instance during the past 77 years when the annuitant would have failed to secure a higher total retirement benefit under a common stock annuity than under a fixed-dollar annuity."

As I stated before, Mr. Shanks was successful. But, there is another side of the coin—one which is in agreement with both of the esteemed gentlemen I have quoted.

That is the balanced program of permanent life plans and investment in a mutual fund. We agree with Mr. Shanks in the desperate need for a program that will in some measure offset the erosion of our dollars. But we also agree with Mr. Ecker that the life insurance industry has no place in the sale of contracts that offer no guaranteed values. We now find that the mutual fund industry, being alert, sympathetic and flexible, has stepped in and offers contractual plans for extended lengths of time and term life insurance to guarantee the completion of the program. Everyone here has felt the results of this activity through their agents.

It is fitting that I again point out to you that Investors Diversified Services, the largest mutual fund organization in the United States, is also writing life insurance and is chartered to write variable annuities.

Facing Competition

This period we are now in, facing onrushing competition from the variable annuities and mutual funds, uncertainties from the SEC, need not be the life insurance industry's "Thermopylae." We need to recognize history for what it is and prepare to change with the demands of the American people.

Inflation will more than likely be with us a great many years. Give consideration to these facts. Our government has engaged in deficit financing 27 of the last 29 years. Our budget for this coming year is $82 billion, unprecedented in peacetime and doubled in 10 years of peace. Last year we literally lost our head and had a deficit of $12 billion, another peacetime record. Today we have upward of $300 billion in public debt with commitments running it in excess of $700 billion; several times the total assessed value of all property in this nation.

50 Or More Years Needed

It will require 50 or more years for dedicated statesmanship and rigid economy to retire this debt and the American people must pay much more than a trillion dollars in taxes!

This does not take into account the many other factors that have increased our cost of living. To effectively control living costs, it would be necessary to control the factors that make for higher or lower prices—including the volume of production, employment, wages, consumption and the weather itself! And no such controls are in sight.

I will give you a concrete example of the ravages of inflation, one we all are most familiar with: A United States Government Bond, without question, is the safest investment vehicle one may own in terms of the strength and integrity of the lender to pay the interest as it falls due and the face amount at maturity. Yet a number of long term government bonds which were issued in the 1940s with 2½% interest coupons are selling today at about 17% below their face value—the result of the battering they have received in inflationary waters in recent years.

It is evident that 2½ to 4% is not much of a return on your money dur-

ing an era of rising living costs. In fact, at that rate, the purchasing power of your dollar would not even remain static! This explains why any form of saving or investment which pays a fixed-dollar return has not produced attractive results in recent years. Bonds, mortgages, notes, life insurance (for investment purpose), and annuities are other examples of fixed-dollar commitments. All such investment forms provide poor defenses against higher prices.

What have worked out favorably have been investments in the ownership of tangible property. Bear in mind that those factors which reduce the purchasing power of dollars are the increases in the prices of things a dollar buys. So if you own things instead of dollars, particularly the right things, you are not likely to be adversely affected by inflation, and might even benefit from it. "Things" include real estate, commodities, and common stocks.

Represents Ownership

Common stock provides an indirect means of owning tangible property. While a shareholder receives but a piece of paper as evidence of his interest, that piece of paper represents part ownership of all assets owned by the company. As a "partner" in the enterprise, a common stockholder receives no guarantees as to what the value of his shares may be worth at any time, or what income, in the form of dividends, will be paid to him. But neither—and this is important—is a ceiling placed on the value his shares may command or the amount of dividend income he may receive.

It seems to me that any one giving serious thought to his future financial programing must come to these conclusions: A guaranteed or fixed dollar income is essential during a deflationary period; a mobile or variable dollar income is essential during an inflationary period; the probable increase in income from the variable dollar investments during inflationary periods tends to offset the decline in the purchasing power of fixed-income dollars, and any sound insurance program must involve two distinct types of investment forms—one for fixed dollars; the other for variable dollars. To pursue one investment course alone is to invite disaster.

I ask you now: Who is the most logical person to assist any family in their long range financial programing? We believe there is only one answer—the qualified and well trained life insurance agent. After all, life insurance generally represents the largest single investment that most families ever commit to. Life insurance is more than ever their only means of saving.

Facts show us that saving alone is not enough. The time has come when everyone associated with the life insurance industry, from the agents, through management to regulatory levels, must accept reality. The life insurance industry is an institution of service. If we do not provide the modern balanced program of guaranteed dollars and growth dollars, then the American people will further turn from us, as has been proven by the dramatic growth of the mutual fund industry. This clearly challenges us to take a forward step.

More Than Stop Gaps Needed

Stop gap measures are not enough. I say to you that triple indemnity, increase in medical limits and additional disability benefits are not measures that will in any sense help you to be competitive or meet the challenge extended to the life insurance industry. The purchasing power of the dollar must be preserved. Anyone who doubts the performance of the common stock market over the past 75 years is not being honest with himself.

Vigorously, we contend that safety lies in balance. A good life insurance program in our opinion will have a balance between these guaranteed dollars and variable dollars, more simply ordinary or endowment insurance in proportion with investments in a mutual fund.

Other vital considerations are these: A variable annuity places all the risk on the purchaser, and the costs exceed those of a mutual fund. A mutual fund contractural plan has no guaranteed estate build-up—only term insurance. A balanced program between permanent insurance and shares in a mutual fund have harmonious proportion. A client may not elect to purchase both units; that is his prerogative. There can be no charge of inducement, but at least he is apprised of all the advantages of both.

Rewards Gratifying

Do not oppose this type of programing because you do not understand it. It may represent a drastic change from your present method of operation but the rewards are most gratifying. I quote Standard Life of Indiana: "Since our affiliation with a mutual fund, our company has enjoyed the greatest three years in its history, our average policy size has increased considerably, our persistency has made dramatic gains, our agents are earning more money, our recruiting problems minimized and our percentage of permanent type insurance has made large gains."

Editorial Comment

Let Candidates Speak For Themselves

After listening to "A man who . . ." countless times in two national political conventions, we're more than usually ready to endorse the proposal of the NALU nominating committee to let secretary and trustee candidates speak for themselves on problems and issues facing NALU rather than having a string of seconders tell what wonderful guys they feel their respective candidates are.

The proposal, which is subject to acceptance by the national council, provides that the five minutes allotted to each candidate would be given almost entirely to the candidate himself. He would give his size-up of the major matters confronting NALU and outline his ideas for dealing with them. Biographical material about the candidate would be briefly given by his sponsor or seconder in introducing him.

The system that has been in effect has lost just about all its value. Each candidate had the benefit of rapid-fire eulogies from the most impressive backers he could assemble, but the speeches were more notable for the sincerity of regard that they evidenced than for anything factually convincing on which to base a choice.

Perhaps having the candidates speak may seem like going against the highly desirable principle of having the job seek the man rather than the man the job. But there need be no conflict. Once the job has sought the man—to the extent that responsible backers are putting him forward as one well qualified for the post—he should not be coy about doing all that he decently can to show he would be a good choice.

If we had a vote in the national council we'd certainly be happier to give it on the basis of hearing the candidates' analysis of NALU's problems and what he thinks should be done about them than we would be to have to vote on the basis of the man's personal charm, campaign literature, campaign headquarters sales-talks, and fulsome eulogies from his friends.

It could be argued that a candidate might be much better at talking about his plans for solving NALU problems than he would be at performing, and of course that is true. It also could be argued that the proposed system gives an unfair advantage to the skilled talker, regardless of his ability to perform if elected. To a limited extent, that is correct. But we'd like to think that a candidate who has investigated NALU's problems intelligently and has worked out thoughtful and well reasoned ways of dealing with them would make more of an impression with the voters than the man who is a good talker and not much else.

Persuasiveness is almost necessarily a large part of the equipment of a successful life insurance man, so the candidates should start pretty much all even on that score—at least even enough so that nobody of outstanding merit is left trailing merely because he is no orator. And considering how necessary persuasiveness is in the deliberations and decisions of NALU, a lack of articulateness could be such a serious handicap as perhaps to outweigh ability in other directions.

Anyway, coming so soon after the national political conventions, the customary NALU campaign oratory would sound so much like more of the same thing that national council members had been hearing on TV that much effectiveness would be lost. Which makes 1960 an especially good year to institute the program proposed by the NALU nominating committee. —R.B.M.

Deaths

V. B. ASKEW, 57, general agent of Aetna Life at Wichita, died. He joined Aetna in 1937, and served the company at Peoria, Springfield, Ill., Des Moines and Topeka, before moving to the Wichita agency in 1948. He was past president of Wichita General Agents & Managers Assn.

OLIVER R. DOBBS Sr., 78, a director of Life of Georgia and retired vice-president, died in Athens, Ga. He joined the company as an agent in Gainesville, Ga., in 1903, later becoming district manager at Athens, southern Georgia division manager and acting treasurer. He retired as vice-president in 1954.

CLARENCE B. ZEHREN, 53, vice-president of Prudence Life of Chicago, died there. He entered the business with Washington National and joined Prudence in 1943 as chief underwriter. He became vice-president in 1949.

Joe Hunt Gives Warning On Claim Settlements

Commissioner Joe B. Hunt of Oklahoma has issued a "warning" dated July 19 to insurance companies and their adjusters. It goes as follows:

"We, in the Oklahoma insurance commissioner's office, are not the 'old guards', nor are we the 'new guards', but we provide the 'safeguards' for the insurance buying public.

Warns Guilty Ones

"We extend congratulations to the majority of companies and their adjusters for their fine job in settling losses, but there are a few companies and adjusters that are chiseling and cheating in claim settlements, and this is to warn those guilty that if this practice isn't stopped they are going to be called on the carpet to show cause why their licenses shouldn't be cancelled.

"It is our duty to protect the needy from the greedy, and this goes for both the assureds insurers."

Stocks

By H. W. Cornelius of Bacon, Whipple & Co., 135 S. La Salle St., Chicago, July 26, 1960

	Bid $	Asked $
Aetna Life	79	81
American General	33	35
Beneficial Standard	15	16
Business Men's Assurance	42	43½
Cal.-Western States	50	52
Commonwealth Life	17½	18½
Connecticut General	354	359
Continental Assurance	135	138
Franklin Life	73	75
Great Southern Life	67	71
Gulf Life	18	19
Jefferson Standard	39	40½
Liberty National Life	55½	57½
Life & Casualty	17	18
Life of Virginia	49	51
Lincoln National Life	227	232
National L. & A.	103	105
North American, Ill.	13	14
Ohio State Life	44½	46½
Old Republic Life	19½	21
Republic National Life	37	38½
Southland Life	88	93
Southwestern Life	53	56
Travelers	85	87
United, Ill.	33	34½
U. S. Life	37	38½
Washington National	46	48
Wisconsin National Life	31	33

NALU Nominators Ask That Candidates Do Their Own Talking

NALU secretary and trustee candidates will be expected to tell the national council what they think about current issues facing the association and what they think should be done about them, if the recommendations of the nominating committee, headed by Mrs. Elsie Doyle, Union Central, Ft. Lauderdale, are followed.

Elsie Doyle

The committee has advised the two candidates for secretary and the nine candidates for trustee as follows:

"A total of five minutes only will be allotted to each candidate, the seconder or sponsor to use part of this time to *briefly* introduce the nominee. The *candidate* will use the remaining time to condense his viewpoint on current issues and NALU policy regarding these problems.

"We ask that the candidate adhere *strictly* to principles, the personal angle to be handled by the sponsor. This is a departure from the usual two, three or four seconders. If adopted by the council, this plan will give an equal opportunity to all candidates and appears advisable in view of the request that no campaign literature be distributed during the convention sessions and committee meetings."

Nw Mutual 1st Half Figures Set Record

For the second straight year, first half sales of Northwestern Mutual set a company record as production totaled $444,708,000. Insurance in force rose 5.7% to $10,163,617,000.

Assets reached $4.1 billion on June 30, a growth of 3.3%. New investments in mortgage loans and real estate amounted to $93.8 million and in securities $53 million, producing a gross yield of 5.9%.

Dividends of $43.2 million represented a 7.5% gain. Policyholder benefits amounted to $146 million, up $10.4 million.

Total income was $307.2 million, 3.1% over the first six months of 1959. The average size of new policies written in the first half was $11,760 compared to $11,105 in the 1959 period.

NAIC Committees Are Appointed

(CONTINUED FROM PAGE 1)

of Pennsylvania and Joe B. Hunt of Oklahoma.

Preservation of state regulation—Donald Knowlton of New Hampshire and J. S. Gerber of Illinois.

Rates and rating organizations—F. Britton McConnell of California and E. A. Stowell of Ohio.

Unauthorized insurance—Cyrus E. Magnusson of Minnesota and A. J. Jensen of North Dakota.

Valuation of securities—Thomas Thacher of New York and W. A. Sullivan of Washington.

Commissioner Smith of Delaware will seek the Democratic nomination for governor of Delaware.

THE NATIONAL UNDERWRITER

The National Weekly Newspaper of Life and A&S Insurance

ABC

Published by The National Underwriter Co.

EDITORIAL OFFICE
17 John St., New York 38, N. Y.
Tel. BEekman 3-3958 TWX NY 1-3080
Robert B. Mitchell, Executive Editor
William Macfarlane and Jud Higgins, Assistant Editors

CHICAGO EDITORIAL OFFICE
175 W. Jackson Blvd., Chicago 4, Ill.
Tel. WAbash 2-2704 TWX CG 654
John C. Burridge, Associate Editor
Richard G. Ebel, William Faitysek and R. R. Cuscaden, Assistant Editors
Marjorie Freed (production) and Barbara Swisher, Editorial Assistants

OFFICERS
John Z. Herschede, President
Louis H. Martin, Vice-President
Kenneth O. Force, Vice-President
H. P. Gravengaard, Vice-President
Robert B. Mitchell, Vice-President
George C. Roeding, Vice-President
James C. O'Connor, Secretary
Joseph T. Maloney, Treasurer

ADVERTISING OFFICE
175 W. Jackson Blvd., Chicago 4, Ill.
Tel. WAbash 2-2704 TWX CG 654
Raymond J. O'Brien, Advertising Manager

BUSINESS OFFICE
420 E. Fourth St., Cincinnati 2, Ohio
Charles P. Woods, Sales Director

REGIONAL SALES MANAGERS
Fred Baker, Atlanta
Paul Blesi, Cleveland
Alfred E. Cadis, Dallas
David Chapman, Des Moines
Dana L. Davis, Boston
James E. McSurely Jr., Denver
William J. Gessing, Detroit
Clarence W. Hammel, New York
Roy H. Lang, Boston
Howard J. Meyer, Minneapolis
Raymond W. Rieke Jr., Los Angeles
William D. O'Connell, Chicago
George C. Roeding, Cincinnati
A. J. Wheeler, Chicago
Robert J. Wieghaus, Chicago
George E. Wohlgemuth, St. Louis
Robert I. Zoll, Philadelphia

SUBSCRIPTIONS: 420 E. Fourth St., Cincinnati 2. $7.50 per year (3 years, $20); Canada $8.50 per year (3 years, $23); Foreign $9 per year (3 years, $24.50). 30 cents per copy, back copies 50 cents. CHANGE OF ADDRESS: Enclose mailing wrapper and Post Office form 3579 with new address, and allow three weeks for completion of the change.

Discusses Program For Policyholders

(CONTINUED FROM PAGE 6)

publicized widely, it is fair to assume that the information is not only interesting but useful to policyholders.

Despite recent emphasis on advertising, for more business, for many years the company's campaigns were directly related to its health and welfare program. There have, however, been distinct exceptions. A poster about inflation, based on an advertisement originally appearing in Life magazine, was reproduced for distribution by the field force to policyholders. The subject was and is certainly as important to the 20% of the population which the company insures as it is to the rest of the population. In fact, the company is so concerned about the problem that it has also reprinted a series of three leaflets for general use and for distribution to policyholders with premium notices. A copy of each is attached with a letter from the superintendents of agencies to describe how they are being used.

Another subject which the company has publicized is the need for every citizen to vote.

Movies Portray Company Operations

Informing policyholders about their company has, of course, been the principal function of the company's annual reports. However, it has discovered that motion pictures are also quite acceptable for that purpose. In the more recent past they included "A Family Portrait" and "Newsweek Looks at Life Insurance." Each was seen by thousands of persons—policyholders and the general public—throughout the U. S. and Canada. It is hoped that the latest production, "A Day of Living," will be even more popular. Two hundred 16 mm. prints are now in commercial distribution, 50 more have been made available to the field for community use, and 40 more will shortly be on the TV circuit. For theatrical distribution, 150 prints of a 10-minute version are now being processed. In addition to its own movie, the company also offers copies, of "Trouble in Paradise," prepared by the Institute of Life Insurance. Its presentation of the perils of inflation justifies national distribution.

The Institute of Life Insurance is one of the most useful adjuncts in dealing with policyholders, particularly when industry questions are raised. A volume and variety of mail is received, asking questions about company operations and their relation to the business in general. Many would be more difficult to answer, were it not for the material so skillfully prepared and available from the institute. The company makes every effort to obtain useful material in answer to the hundreds of letters from policyholders, which often have little to do with their individual contracts.

One of the larger single groups of letters is from policyholders' children. Usually they ask for information about the company to be used in school. Apparently the replies are appreciated, according to acknowledgements which the company has received. Another personal approach is afforded by Christmas and birthday cards. Field personnel find them useful in maintaining touch with policyholders on a "something more than business basis."

In addition to this general, continuing type of policyholder relations, there are more temporary and immediate situations. Among the most dramatic, and important for those involved, is Metropolitan's "disaster service." Typical is a national advertisement describing the company's efforts after the Vicksburg tornado in 1953, a local newspaper advertisement following the Middle Atlantic hurricane and floods in 1955, and special radio announcements for use as necessary after natural or man-made disasters. They present the story of the company's concern for human beings, Metropolitan insured or not, during times of emergency and stress. It is a story, and a service, which can be traced as far back as the San Francisco earthquake and fire of 1906.

Changes In The Field

Franklin Life

R. L. Hill, general agent at Richmond, has been promoted to general agent and assistant to the executive sales director for Virginia, Arthur C. Livick Jr. Mr. Hill was appointed general agent for Virginia early this year.

P. J. Holzer has been appointed regional manager at Billings, Mont. He began his insurance career with Mutual of New York.

A. J. Ayers has been appointed regional manager in Corpus Christi, Tex. In the insurance business 16 years, since 1956 he has been a life insurance consultant, advising on methods of investment and agency expansion.

Life Of North America

G. L. Waters has been appointed group manager in Kansas City. He has been district group manager of Continental Casualty at Chicago and group supervisor with Travelers in San Francisco and Seattle.

J. O. Richards has been promoted to regional group manager at San Francisco. He has been with the company there since 1958, and before that was group supervisor for Great-West Life.

Employers' Life

Kenneth Juncker has been appointed manager at Orange, N. J. He has been manager of the life and A&S department of A. W. Marshall & Co., Newark multiple line agency.

Continental Assurance

N.A.C. Rue has been appointed manager at Camden, N.J. He has been with American Life and Prudential.

Travelers

Named managers are:

W. R. Hanson at Los Angeles with headquarters at Pasadena. He has been assistant manager at Sioux City, Ia.

T. R. Snyder at Scranton. He was formerly assistant manager at Reading.

W. R. Shepherd at Toronto with headquarters at Hamilton. He has been assistant manager at Toronto.

J. R. Prindle, assistant superintendent of special services at the home office, has been appointed special services consultant at Atlanta. He has also been assistant manager at Pittsburgh and Jackson, Miss.

Kansas City Life

J. R. Dresher has been appointed general agent for 18 counties in north central Alabama. The new agency will have offices in the Brown Marx Building, Birmingham. Mr. Dresher has had five years' previous insurance experience.

L. P. Voss has been named general agent for nine counties in southeastern Wisconsin. The new agency is located at 225 East Michigan Street, Milwaukee. Mr. Voss has been in the insurance business 10 years.

Paul Revere-Mass. Protective

D. M. Hudson, regional training supervisor with headquarters at Omaha, has been appointed general agent at Sioux Falls. He has also been supervisor at Omaha.

Northwestern National

D. Y. Lewallen and Billy Dunlap have been named district managers at Winfield, Kan. and Dallas, respectively.

Occidental Of California

G. F. Richwine has been appointed brokerage manager of a new office at Indianapolis. He was with American Life of New York as superintendent for Indiana.

R. N. Smith has been appointed assistant manager and Isaac Mayo assistant brokerage manager at Seattle. Mr. Smith joined the company as assistant brokerage manager in 1959, and Mr. Mayo, who replaces Mr. Smith, has been with the company in Seattle for 2½ years.

R. R. Royer has been promoted to regional group manager and in charge of the Pittsburgh group office at Cincinnati.

In addition, appointed group sales trainees are R. J. Lake, who has been assigned to the home office training circuit, John F. Schoewe, to the Atlanta group office; and Wilmer T. Gaston, to the Cincinnati group office. C. J. Hartman has been appointed group service representative and assigned to Los Angeles.

R. L. Andrews Jr. has been appointed assistant brokerage manager at Houston. He began in the insurance business with Prudential in 1956 at Houston.

Security Connecticut Life

Edward Meyer & Son agency of Saginaw, Mich., has formed a life department and signed a contract with the company as its northeastern Michigan agency, which will have jurisdiction over a 28-county area. J. R. Meyer has been named manager of the department.

Home Life Of New York

G. L. Thomas, associate manager at Cleveland, has been appointed manager at Rockford, Ill. He has been agency field assistant at the home office and assistant manager at Buffalo.

Standard Of Oregon

Appointment of J. A. LaSota as district manager at Phoenix signals the company's entry into Arizona. He previously operated a general insurance agency.

D. L. Barker has been appointed supervisor of the McCulloch agency at Portland, Ore. He has been with Allstate and New York Life.

Manhattan Life

Stuart Saunders has been appointed brokerage supervisor of the Frischman agency at New York. He formerly was with Equitable Society.

New England Life

R. J. Leeper, supervisor at Oklahoma City, has been appointed resident general agent there.

Praetorian Mutual

J. M. Frazier has been appointed district manager at Houston. He was general agent at Orlando, Fla.

Aid Assn. For Lutherans

R. A. Danowsky has been appointed general agent for eastern and central Iowa. He was district agent at Austin, Minn.

Massachusetts Mutual

O. C. Dawkins has been appointed assistant general agent of the Anthony agency at Louisville. He has been staff supervisor.

Pilot Life

J. W. Thomas has been appointed general agent at Johnston, Pa., and Harold Wolfe general agent at Pittsburgh. New assistant general agent at Greensboro, N. C., is Robert Boswell.

INTERSTATE LIFE & ACCIDENT—E. H. Daniel, assistant agency vice-president and manager of division two, has been promoted to agency vice-president and assistant manager of agencies; J. A. Watkins, assistant manager of division three, becomes division two manager, and W. R. Whittle, manager of the Birmingham, Ala., district office, is named assistant manager of division three.

CANADA LIFE has appointed R. H. Mayer supervisor of the Nashem agency at New York. He has been with Mutual of New York and Home Life. T. E. Lewis, formerly with Home Life, has been appointed associate supervisor of the Nashem agency.

GIRARDIAN of Dallas has appointed Lloyd Swa regional manager for Idaho and Utah.

Arch N. Booth Joins Roster Of Speakers At NALU Meeting

WASHINGTON—Arch N. Booth, executive vice-president of the U.S. Chamber of Commerce, has been added to the speakers list for the NALU convention here, Sept. 11-16.

Mr. Booth will join two previously announced speakers—Gov. Cecil H. Underwood of West Virginia, and Philip F. Howerton, general agent of Connecticut Mutual Life at Charlotte, N.C.—on the symposium, "The Challenges of the Sixties," scheduled for Thursday morning.

Mr. Booth will discuss how some of the challenges of the decade ahead may be expected to affect the free enterprise system.

—

WLRT Nominators Pick Helen Millett To Head Executive Committee

WASHINGTON—Helen Millett, Penn Mutual Life, Minneapolis, has been chosen by the nominating committee of NALU's Women Leaders Round Table to head the slate of candidates for its 1960-61 executive committee.

Mrs. Millett has been nominated for the post of chairman. Other nominees on the slate are Marion Gilmore, John Hancock, Albany, N.Y., candidate for vice-chairman, and Hazel Shafer, Equitable Society, Roanoke, Va., and Norma Austin, Pension Funds Co., Detroit, both nominees for executive committee membership.

Election of the committee will take place on Sept. 11, the first day of NALU's annual meeting in Washington. Chairman of the nominating committee is Helen Rupp, Prudential, Minneapolis.

—

B.M.A. 6-Month Sales Up 5.2%; 22.4% Gain In June

New business of Business Men's Assurance in the first six months amounted to \$214,994,641, an increase of 5.2%. June sales of \$43,965,480 represented a 22.4% gain.

During the first half of 1960, insurance in force rose \$106,832,916 to \$1,841,822,065.

Total income was \$32,059,516, up 6.2%. Premium income amounted to \$26,669,724, a gain of 5.1%, while investment income of \$3,872,733 represented a gain of 12.2%.

—

Twelve agents of **Bankers Life of Iowa** attended an advanced sales training school at the home office.

Home Office Changes

Northwestern Mutual

C. D. Gelatt, president of Northern Engraving Co., La Crosse, Wis., and W. A. Jahn, president of Inland Steel Products Co., Milwaukee, have been elected trustees. Mr. Gelatt has been chairman of the policyholders' examining committee of Northwestern Mutual.

Travelers

M. M. Sigaty, who has been in the mortgage loan department since 1953, has been promoted to assistant secretary of the department.

J. A. Resony, assistant secretary in the accident and group actuarial department, has been transferred to the group department in the same capacity.

Dr. E. S. Arnold, dental director, has retired after 38 years with the company.

Mutual Benefit Life

H. E. Nickey, former associate manager of the national farm loan office at Ames, Ia., has been elected 2nd vice-president to succeed J. C. Neff, who retired after 32 years with the company.

Metropolitan Life

Philip Briggs, actuarial consultant, has been promoted to assistant actuary and E. M. Derby and W. W. Peck, assistants to the personnel officer, to assistant personnel officers. All three men were also given officer status.

Berkshire Life

Arnold Cole has been appointed secretary, A&S. He has been assistant secretary of A&H for Massachusetts Bonding. He has been on various committees of the Bureau of A&H Underwriters and the legislative committee of Health Insurance Assn.

Pilot Life

Haywood Mobley has been promoted to assistant superintendent of agencies. He was management assistant in the manpower development program.

Federal Life

Alexander Robertson has been appointed assistant to the auditor. He was with Prudential as supervising auditing examiner, and before that he was with Aetna Life.

Union Labor Life

W. C. Butcher has been elected a director. He is a vice-president of Chase-Manhattan Bank and succeeds the late F. M. Gehle, who was also a Chase-Manhattan vice-president.

Equitable Society

Samuel Latour, senior review appraiser in the residential mortgage department, has retired after 47 years with the company.

Supreme Liberty Life

E. A. Hawley, claims supervisor, has been promoted to assistant secretary. He has been with the company 33 years.

Georgia International Life

Col. P. A. Blate has been appointed director of military agencies, a newly created post. He has been with General Services Life, is a life and qualifying member of Million Dollar Round Table, and has been a member of the national committee of servicemens' and veterans' affairs of NALU.

OLD SECURITY LIFE of Kansas City has named F. F. Dodge vice-president and actuary, a position he has held with Consolidated American Life of Chicago.

FOREST LAWN LIFE of California has appointed E. W. Brylant superintendent of agencies.

CORRECTION

FIDELITY BANKERS LIFE has appointed J. N. Knipshild director of group insurance, and not R. H. Guilford as was erroneously reported in the issue of July 16. Mr. Guilford is vice-president of Fidelity Bankers.